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DEPARTMENT

Congressional Record.

SIXTY-SECOND CONGRESS, SECOND SESSION.

American Commission on Rural Credits in Europe.

SPEECH

OF

HON. DUNCAN U. FLETCHER,

OF FLORIDA,

IN THE SENATE OF THE UNITED STATES,

August 14, 1912.

Mr. FLETCHER said:

Mr. PRESIDENT: I ask that the joint resolution may be read.
The PRESIDENT pro tempore. The Secretary will read the joint resolution.

The Secretary read the joint resolution, as follows:

Whereas the Department of State of the United States detailed, upon the application of the Southern Commercial Congress, David Lubin, American delegate to the International Institute of Agriculture, Rome, Italy, to direct a conference on agricultural finance held under the auspices of the Southern Commercial Congress in Nashville, Tenn., April 1 to 6; and

Whereas 27 States were represented through delegates in the conference; and

Whereas resolutions were unanimously adopted providing for an American commission to go abroad for the investigation of rural credits in Europe; and

Whereas the Southern Commercial Congress will send the commission abroad, composed of delegates from all States of the United States, to report to the International Institute of Agriculture (which, under treaty, is supported by the Government of the United States) at the time of the meeting of the general assembly of the International Institute of Agriculture, May, 1913: Therefore be it

Resolved, That the Congress of the United States, in recognition of the valuable service to be rendered the United States in the investigation of the European systems of agricultural finance, hereby indorses the proposed American commission and invokes for it the diplomatic consideration of the countries to be included in the itinerary.

Mr. FLETCHER. Mr. President, the Southern Commercial Congress was organized for the purpose, primarily, of advancing the material interests of the 16 Southern States, and as indicative of its broad spirit and extended lines of endeavor adopted as its slogan "A greater Nation through a greater South!" Realizing that unique conditions existed in the South, where serious interruption had for a time checked continuous development and where peculiar problems had to be met, it was conceived that some aggressive and constructive effort to make known the possibilities and opportunities to be found there and to push forward and emphasize the agricultural, industrial, commercial, climatic, and educational advantages in that region was a work which was called for and should be followed by rich results.

Accordingly, in an altruistic spirit, having nothing of its own to buy or sell, no ends to accomplish but the general good, that organization has been putting forth its energies along the various directions suggested, and already an enthusiastic awakening has taken place, land values have increased, new capital and new enterprises have been attracted, the unequalled natural resources and material advantages are becoming more justly prized and more widely known, misconceptions as to climate and social conditions are being swept away, accurate information is taking the place of ignorance and misinformation regarding what is called the South, in other portions of the country and abroad, and the day of unprecedented progress dawns.

Without attempting to set forth the practical results already accomplished, which but blaze the way for greater and more substantial achievements in the future, this organization is recognized by those acquainted with its purpose and endeavors and by the various departments of the Government as being engaged in a patriotic public work, in a practical way, for the accomplishment of desirable ends, and their cooperation is cordially extended.

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It is now reaching out to promote friendly relations and commercial intercourse with Latin-American countries, and shaping routes and channels of trade which the Panama Canal will open up to us.

The Southern Commercial Congress holds an annual convention where the various subjects which affect the prosperity of the country and the welfare of the people are considered. Its last convention was held in Nashville, Tenn., April 9-10, this year. By permission of the State Department our minister to Denmark, Mr. Maurice Francis Egan, came across the ocean to explain to the people of this country the system of dairying as practiced in Denmark, and after addressing that convention he spent some weeks lecturing to agriculturists on that important subject.

Likewise, authorized by the State Department, Mr. David Lubin, of California, delegate of the United States to the International Institute of Agriculture, with headquarters at Rome, Italy—the institute participated in by 50 nations under treaty—came to this country to attend and address the convention of the Southern Commercial Congress and to conduct a conference on rural credits held in Nashville, April 1-6 last.

The institute had issued publications on the rural cooperative credit system in operation in certain European countries, and these had come to the notice of the Southern Commercial Congress, which took the matter up with Mr. Lubin last January and succeeded in bringing him to this country to guide and direct the conference on the subject mentioned and to address the congress. Twenty-seven States were represented at the Nashville conference, as shown by the minutes of the proceedings, which I will ask to affix as part of my remarks and mark Exhibit A.

The PRESIDENT pro tempore. Without objection, permission is granted.

Mr. FLETCHER. Resolutions were adopted, as the minutes show, and steps have been taken in accordance therewith.

To investigate foreign systems of cooperative agricultural finance and the adaptability of some such system to the needs of this country, the Southern Commercial Congress will send to Europe in May, 1913, a national commission. This commission will comprise two delegates from each State. It will report to Mr. David Lubin, American delegate, International Institute of Agriculture, Rome, Italy, and, accompanied by Mr. Lubin, will tour the European countries. The commission will report the result of its investigations to the Fifth Annual Convention of the Southern Commercial Congress, which will be held in Mobile, Ala., in September, 1913, about the time of the opening of the Panama Canal.

In the meantime the Southern Commercial Congress has commissioned Edwin Chamberlain, of San Antonio, Tex.; Clarence Poe, of Raleigh, N. C.; and George Woodruff and Frederick K. Woodruff, of Joliet, Ill., to make a preliminary investigation while they are in Europe this summer of agricultural cooperation and cooperative credit systems in Ireland, England, France, Germany, and Denmark. This subcommittee will report to the Southern Commercial Congress prior to the departure of the full committee.

DELEGATE LUBIN'S REPORT.

At the regular monthly meeting of the permanent committee of the International Institute of Agriculture, May 11, 1912, Mr. Lubin made his report, which has been printed as a Senate document, being No. 855. This report was published in the languages of the 50 nations that, under treaty, comprise the International Institute of Agriculture.

WIDESPREAD INTEREST IN AGRICULTURAL FINANCE.

While the Southern Commercial Congress is given credit for the initiative in making an organized effort for the study of European rural credits, it should be understood that through-

out the United States and in many countries of the world intense interest is centered on this subject for the solution of economic problems in the interest of the masses of the people who live in rural communities. The American Bankers' Association has appointed a committee composed of ex-Gov. Myron T. Herrick, of Ohio, recently appointed ambassador from the United States to France; B. F. Harris, president of the Illinois Bankers' Association; and Edwin Chamberlain, of San Antonio, Tex. This committee will also investigate the subject.

Secretary Knox, of the Department of State, has commissioned five ambassadors in Europe to make a study of and report to the department on the subject of agricultural finance. Ambassador Herrick is the chairman of this commission.

It is a notable fact that the National Republican Party, in convention in Chicago, adopted a plank pledging an investigation of agricultural finance. The following plank was written in the Democratic national platform by the Democratic convention recently in session in Baltimore:

Of equal importance with the question of currency reform is the question of rural credits or agricultural finance. Therefore we recommend that an investigation of agricultural credit societies in foreign countries be made, so that it may be ascertained whether a system of rural credits may be devised suitable to conditions in the United States.

There is no more important question confronting the American people to-day than that of agricultural credits. It is basic, as the solution of the problem means relief for the American farmer and the uplift of the entire rural population of the United States. Farmers of the United States pay exorbitant interest on their loans, whereas in countries where cooperative societies are organized money is secured at from 2 to 4 per cent. In Germany alone in 1909 the total business done under the Raiffeisen system was 6,537,075,959 marks—\$1,557,293,580. In 1910 the total business done under the Schulze-Delitzsch popular banks system was 13,566,182,463 marks—\$3,231,801,035.

It will not do to say Europe can teach us nothing regarding agriculture or suggest to us what would be greatly to the advantage of our farmers.

Mr. Eugene H. Grubb, in *World's Work* for August, says that "American farm practice is 50 years behind European farm practice." He speaks of "Lord Rosebery's feat of growing 55 long tons—2,000 bushels, or more than 121,000 pounds—of potatoes to the acre on land that has been cultivated for a thousand years." He has studied the European methods and says, "I have increased my yield of potatoes from 100 bushels to 400 bushels an acre; my yield of oats from 40 bushels to 100 bushels an acre; and wheat from 25 bushels to 50 bushels. And I have eliminated crop failure from my experience."

Dr. Wiley is reported as saying that "American farmers are cheating themselves out of \$1,500,000,000 a year by using inferior methods of cultivation, and at the same time are contributing materially to the cost of living. In agriculture we are fully 50 years behind Europe, and the better utilization of our farm resources is one of the most important problems before the country."

One thing which will make farming more attractive and contribute immensely to disenthral the farmer and place him on the new highway of progress will be the adoption of the cooperative idea and putting into effect some such plan as that which rescued the agriculturists of Europe at a time when they were much more in need of encouragement than are the farmers of the United States.

In 1848, when distress prevailed throughout Europe and the money lenders held the poor in their grasp, that system of cooperative credit, which was to influence the agricultural world beyond all estimate, was devised. Raiffeisen and Schulze, German burgomasters, led the way. They were pioneers in the organization of credit societies which brought relief to the people.

Two systems were evolved. The Raiffeisen banks are purely agricultural banks, small farmers and agricultural laborers forming their membership.

The Schulze banks are situated in urban districts chiefly, embracing small men of every class, and are commonly called now "town banks."

Without attempting to examine the two systems in detail, I should imagine we would be more particularly interested in the cooperative credit banks which Raiffeisen established. He worked among the German farmers who were deeply in debt and paying usurious interest, and he solved the problem of agricultural credit by utilizing the personal pledge of the small farmer, supported by the guaranty of his neighbors. Without subsidy or assistance from the State or other aid these banks have met the demand not only in Germany, Belgium, Italy, Austria, Prussia, France, and other countries of Europe, but wherever they have been tried, with unquestioned success.

From a small beginning midway through the nineteenth cen-

tury, which these courageous pioneers, Raiffeisen and Schulze, made, there has developed "a vast system of more than 15,000 separate offices of which over 13,000 are of the Raiffeisen type." In 1908 we are informed these banks held over \$400,000,000 in current accounts and savings, while they had granted over \$250,000,000 credit, and during the year of the panic, 1907, while the Imperial Bank was demanding 7 per cent interest, the cooperative banks maintained a rate of 4 per cent. Some cooperative societies have become successful agents for the sale of farm products and the purchase of supplies at wholesale.

German husbandry has been benefited beyond calculation.

Wherever our farmers are prosperous we want to keep them so; wherever they are not, we want to help them to become so. Agriculture is not only our most important industry, but it is the basis of all others.

Germany may boast of her military supremacy; England may claim first place in the naval world, but America surpasses them all in the commercial world.

Our national prosperity rests on our power to produce what we need. We shall be in a position of supreme power among the nations of the world when they must come to us or go hungry and unclothed.

That nation which produces a surplus of prime necessities of life, which the other nations must have, is in position to dictate, without bullying, in times of peace or war, armed only with the weapon of trade and will not likely need any other.

The European cooperative rural credit systems which we shall examine and endeavor to apply here are substantially in the hands of farmers, operated by farmers, for farmers.

Clearly and persistently this must be borne in mind. The research and study it is proposed to make and the data it is desired to collect and collate and utilize, are intended primarily for the advantage and benefit of the American farmer.

Closely related to, if not actually identified with, agricultural finance in the countries of Europe, is the practice of cooperative effort by those engaged in agricultural pursuit. We find that course pursued by the dairymen of Denmark in a way which has made that industry, under marked adverse conditions, one of greatest importance.

In Holland, Ireland, and to some extent in England, the cooperative societies have accomplished most satisfactory results.

In France such societies are strengthened by the Government's aid. We have noted how cooperative endeavor has solved the problem of the German agriculturists.

It is believed that the commission which will go to Europe next May, and under the guidance of Mr. Lubin will spend some 70 days in the countries where the most successful and well-tried cooperative systems are in operation, will extend its inquiry beyond the subject of credits and finance, and into the realm of marketing crops, procuring supplies, and other subjects affecting the farmers. It is believed a study of the methods employed there, the practices of prosperous agricultural communities, and especially the subject of agricultural finance, will enable that commission to report facts and findings from which can be devised and formulated a workable plan and system adapted to this country, in a practical way, of inestimable value to all our people, and particularly to those who live nearest the fountain of life in the divine economy.

In 1872 the German Landwirtschaftsrat was formed to look after the interests of agriculture. It is composed of 74 members (25 for Prussia and 49 for the German States), elected by the central associations and is officially recognized by the Imperial Government and the governments of the several States as the representative of the interests of German agriculture. It grew out of the agricultural associations which exist throughout Germany. It addresses itself direct to the chancellor or to the Imperial Parliament on the subject of legislative or administrative measures affecting the interests of agriculture. It publishes a yearbook and fortnightly review and weekly and even daily reports, giving information on prices in each province and throughout the country and abroad, and distributes these to all agricultural associations. We shall have occasion to look into the workings of that system and see whether some adaptation of it not already covered by the splendid service of our Department of Agriculture may not be practicable and useful in the United States. There is every reason to believe that development may be not the least important in this undertaking.

The Southern Commercial Congress will take care of the total expenses of the commission and make all arrangements for the tour and study. In order to give the commission its proper standing with and insure its proper recognition by governments it will come in contact with, it is thought the adoption of the resolution proposed by the Congress of the United States would be in order.

The United States is in no way responsible for the commission: incurs no obligation in connection with it or its service. It is a voluntary commission, raised by the Southern Commercial Congress, will bear its own expenses, and devote its time and labors to the work; and as that work is intended solely for the public good, it is entitled to such encouragement by the Congress of the United States as will promote its strength and add to its usefulness. As to the personnel of the committee, it will be the purpose to observe the injunction of Mr. Lubin, to wit:

We may materialize a committee, but that committee may be composed of exploiting bankers, and that would be a sad error; or the committee may consist of sight-seeing dilettantis, and that would be a grievous mistake; or it might be formed of cantankerous cranks, and that would be disgraceful; or it may be so loosely coherent as to render it a heterogeneous mob, and that would mean chaos.

We have a good cause—a cause now indorsed by the two great political parties in our country; by a very large proportion of the people of our country; by the economic and political needs of our country; and we have a sufficient basis of facts in the European systems to justify the efforts we have in hand.

In this connection, I ask to attach as a portion of my remarks a circular issued by Mr. Lubin, which has just come to hand, designated as Exhibit B.

The PRESIDENT pro tempore. Without objection, that order will be made.

EXHIBIT A.

CONFERENCE ON AGRICULTURAL FINANCE CONDUCTED BY THE SOUTHERN COMMERCIAL CONGRESS, NASHVILLE, TENN.

The conference on rural banking systems of Europe, called by Senator Duncan U. Fletcher, of Florida, president of the Southern Commercial Congress, met in Nashville, Tenn., April 1 to 6, 1912.

The conference organized with the following officers: Chairman, G. Grosvenor Dawe, managing director of the Southern Commercial Congress; secretary, Clarence J. Owens, secretary-treasurer of the Southern Commercial Congress. The following delegates enrolled:

Hon. David Lubin, American delegate, International Institute of Agriculture, Rome, Italy.

Mr. G. Grosvenor Dawe, managing director, Southern Commercial Congress.

Dr. Clarence J. Owens, secretary-treasurer, Southern Commercial Congress.

Mr. J. D. Eggleston, jr., superintendent public instruction, Richmond, Va.

Mr. Olaf Olsen, assistant cashier First National Bank, Boston, Mass.

Mr. B. F. Harris, president Illinois Bankers' Association, Chicago, Ill.

Mr. George A. Hubbell, president Lincoln University, Cumberland Gap, Tenn.

Mr. Harvie Jordan, president Farmers' Gin Compress & Cotton Co., Atlanta, Ga.

Mr. C. F. Meek, district manager the United States Mercantile Co., Nashville, Tenn.

Mr. Warren H. Wilson, superintendent Presbyterian Department of Church and Country Life, New York, N. Y.

Mr. T. G. Garrett, manager and examiner Nashville Clearing House, Nashville, Tenn.

Mr. F. M. Mayfield, secretary Tennessee Bankers' Association, Nashville, Tenn.

Mr. L. R. Neel, editor Southern Agriculturist, Nashville, Tenn.

Mr. A. P. Foster, secretary Nashville Industrial Bureau, Nashville, Tenn.

Mr. Jackson Davis, State superintendent of rural schools, Richmond, Va.

Mr. F. M. King, Chicago, Ill.

Mrs. Willoughby Williams, Southern Agriculturist, Nashville, Tenn.

Mr. Charles H. Reiffeisen, real estate dealer, Sedalia, Mo.

Mr. J. C. Hardy, president Mississippi Agricultural and Mechanical College, Agricultural College, Miss.

Mr. George P. Phenix, vice president Hampton Institute, Hampton, Va.

Mr. F. W. Gist, United States Department of Agriculture, Nashville, Tenn.

Dr. H. B. Frissell, Hampton Institute, Hampton, Va.

Mr. T. S. Settle, State supervisor rural schools, Richmond, Va.

Mr. Harlan Updergraff, United States Bureau of Education, Washington, D. C.

Mr. E. C. Brooks, Trinity College, Durham, N. C.

Mr. D. H. Hill, president Agricultural and Mechanical College, East Raleigh, N. C.

Mr. James C. Harris, No. 1707 West End, Nashville, Tenn.

Mr. Clarence H. Poe, editor Progressive Farmer, Raleigh, N. C.

Mr. George B. Horton, Adrian, Mich.

Mr. Harris, Nashville, Tenn.

Mr. George W. Simon, No. 174 Second Avenue, New York, N. Y.

Mr. J. H. Binford, Department of Public Instruction Richmond, Va.

Hon. Watt T. Brown, State senator, Ragland, Ala.

Mr. John Lee Coulter, Bureau of Census, Washington, D. C.

Mr. Dan T. Hughes, Danville, Ga.

Mr. E. D. Sanderson, dean West Virginia University, Morgantown, W. Va.

Mr. Thomas Cooper, Fargo, N. Dak.

Mr. John E. Sinclair, Board of Public Affairs, Madison, Wis.

Mr. W. D. Bentley, Yukon, Okla.

Mr. Fulton Smith, Memphis, Tenn.

Mr. C. H. Litrel, Fourth National Bank, Nashville, Tenn.

Mr. A. C. Adams, Nashville, Tenn.

Mr. J. A. Burruss, Harrisburg, Va., president State normal school.

Dr. S. C. Mitchell, president University of South Carolina, Columbia, S. C.

Mr. John A. Rogers, Smith Co., Gainesville, Ala.

Mr. J. C. Caldwell, real-estate dealer, Lakefield, Minn.

Mr. C. O. Davidson, wholesale grocer, Boise, Idaho.

Mr. Frank O. Watts, president First National Bank, Nashville, Tenn.

Mr. W. F. Procter, Tybee, Tex.

Mr. A. H. Benson, Washington, D. C.

Mr. Leland J. Henderson, Pensacola, Fla.

Mr. Walter H. Page, editor World's Work, Garden City, Long Island, N. Y.

Mr. E. C. Branson, president normal school, Athens, Ga.

Mr. Henry J. Bowdoin, Baltimore, Md.

Mr. Theo. Price, Price Co., New York, N. Y.

Mr. Julius Smith, secretary Pennsylvania Rural Progress Association, Pennsdale, Pa.

Mr. C. R. Titlow, director agricultural extension work, Morgantown, W. Va.

Mr. T. J. Brooks, Atwood, Tenn.

Mr. W. L. English, State agent Department of Agriculture, Clemson College, S. C.

Mr. W. H. Lippold, educational secretary Young Men's Christian Association, Louisville, Ky.

Mr. Charles G. Maphis, professor of secondary education University of Virginia.

Mr. H. H. Williams, extension department Texas Agricultural and Mechanical College, College Station, Tex.

Mr. C. M. Evans, superintendent extension work Agricultural and Mechanical College, College Station, Tex.

Mr. O. B. Martin, Department of Agriculture, Washington, D. C.

Miss Jesse Fields, superintendent of schools, Clarinda, Page County, Iowa.

Mr. J. J. Vernon, dean College of Agriculture, University of Florida, Gainesville, Fla.

Mr. H. D. Tate, State agent farm demonstration work, Memphis, Tenn.

Lillian W. Johnson, Central High School, Memphis, Tenn.

Dr. J. F. Duggar, director experiment station, Auburn, Ala.

Mr. J. L. Quicksall, United States Department of Agriculture, Waco, Tex.

Mr. F. M. Jeffords, Boys' Demonstration Clubs, Little Rock, Ark.

Mr. Herbert Myrick, president Orange-Judd Co., Springfield, Mass.

The following letter from Mr. Lubin, addressed to the managing director of the Southern Commercial Congress, was read:

ADAPTATION AND ADOPTION OF THE RAIFFEISEN SYSTEM OF RURAL CO-OPERATIVE CREDIT IN THE UNITED STATES.

(Proposal of a committee of inquiry for that purpose. Correspondence with the Southern Commercial Congress.)

INTERNATIONAL INSTITUTE OF AGRICULTURE,
Rome, Italy, January 11, 1912.

To the MANAGING DIRECTOR SOUTHERN COMMERCIAL CONGRESS,
Southern Building, Washington, D. C.

DEAR MR. DAWE: I am in receipt of your valued letter of December 26 on the subject of the Raiffeisen system, and wish to say that I have given the same my careful attention. As the subject of this correspondence is of keen interest to several sections of the United States, I shall take the liberty of framing this reply as a public letter.

You say:

"I have now consulted with the executive officers of the Southern Commercial Congress and write you more fully than I was able to do in my letter of the 4th of November."

"That phase of cooperative rural life which is involved in the Raiffeisen system is basic; for it shows the farmers how they can be their own regenerators. Consequently, as we are very seriously addressing ourselves to the task of stimulating efficient rural life in the South, our survey of cooperative systems would be incomplete unless we familiarize the thought of the South with the wisdom of Europe as it has been shown through the pioneer work of Raiffeisen."

Since the institute has sent out its publications on the Raiffeisen system (3 volumes in 1910 and 10 volumes in 1911) inquiries are reaching it from all sections of the United States. The inquiries come from the agricultural press, the leading universities, the farmers' institutes, members of the grange, cooperative associations, State institutions, etc. They all express keen interest in the question of cooperative rural credit, and inquire for further data and suggestions with a view to advancing and introducing the Raiffeisen system to meet the needs of the various sections. And now comes your great organization, with an outspoken recognition of the importance of this Raiffeisen system for the economic revival of the South, and, after consulting your executive officers, you suggest that I "be present" at your congress at Nashville, Tenn., on April 8, 9, and 10, "to take the initial step" toward its introduction into America.

Upon consideration it would appear, however, that the question is more complex than it seems to be at first sight. While the adoption of the Raiffeisen system in the United States would be of incalculable economic benefit to the American people, we must not be unmindful of the grave and serious dangers besetting the path in an attempt to bring this about. There is the danger of untried enthusiasm; of hasty, ill-advised progress thrust forward on receptive minds; and, last but not least, the danger of cunning, cupidity, and downright dishonesty. All of these dangers should be placed in relief and extreme care should be taken to employ the right means toward the desired end.

No mere address delivered from a platform, no mere reading of printed reports, can suffice to obviate the dangers above referred to, and to insure the safe introduction into the United States of the European systems of cooperative rural credits.

There is, however, a way which suggests itself to me as at once conservative, effective, and safe; and that is to follow in the footsteps of the recess committee. The recess committee, formed in 1896, consisted of a number of leading Irishmen who were looking for similar economic ends for Ireland to those which are occupying the attention of your organization in the interest of the Southern States. Their first step was to form a committee of inquiry to travel through the several continental countries where the Raiffeisen and similar systems were in operation; and to make a thorough personal investigation and study of same with a view to adapting them for introduction into Ireland.

The recess committee, consisting of 22 members, was accordingly formed under the leadership of Sir Horace Plunkett, and as the result of its inquiries in the principal European countries, it was able, in about four months, to hand in to the secretary of state for Ireland a report embodying a scheme for legislation and administration which called for the adoption of the Raiffeisen system of cooperative rural credits. This report has been the starting point toward the economic upbuilding of modern Ireland, resulting in 1908 in the existence of 268 cooperative credit banks in Ireland, as shown by the "Bulletin of the International Institute of Agriculture."

The action of the recess committee, just referred to, offers a valuable example; one which, if followed by the Southern Commercial Congress, would enable it to pioneer the way for the introduction of the Raiffeisen system in the South, thereby supplying, as you say in your letter, the basic means through which "the farmers of the South could be their own regenerators."

Let, then, the Southern Commercial Congress arrange for a representation of at least two members from each of the 16 Southern States affiliated to its organization, making a minimum representation of 32 members. Let these 32 members meet at a time and place to be designated when the subject of the Raiffeisen system may be taken up, and a motion discussed for the appointment of a committee of inquiry to visit the continental countries of Europe, devoting, say, two months to the study of the Raiffeisen system in the countries in which it is in operation, and then proceed on to Rome and continue its studies for another month in the International Institute of Agriculture. The result of these investigations should then be embodied by the committee in the form of a report to the Southern Commercial Congress.

This report could then be given out for public discussion, and would afford a safe and sound basis for a conclusion, a conclusion for final action.

Now, you ask me to attend your congress at Nashville, Tenn., to present the Raiffeisen system, and you further say:

"I" in addition to addressing the congress in Nashville, you should desire to make an extended tour through the South, explaining, more in detail the wonderful propaganda you are carrying on. I believe such a trip to America would be regarded as of value in the extreme; for you would be conferring a benefit upon a region that is ready to learn, but that has been very largely, since the time of the war, set aside from the main line of national development."

In replying to this invitation, allow me to again draw your attention to the following statements in my letter to you of November 18, ultimo, wherein I said:

"My duties here to the Institute are too important to allow of my employing the time necessary for going and coming, unless it be made clear that so doing would result in greater service than remaining here. * * * If it could be arranged to bring up the Raiffeisen matter for consideration before your Congress, it would offer a good reason for my accepting a formal invitation."

With this end in view, I now make you the following proposals:

First. That the Southern Commercial Congress arrange for a meeting of a select committee of its members representing the 16 Southern States.

With this end in view, I now make you the following proposals:

Second. That said select committee hold a special session for a week, exclusively for the purpose of considering the Raiffeisen and other European systems of rural cooperative credits, and introduce and vote on a motion for the appointment by the Southern Commercial Congress of a traveling committee of inquiry for the purposes already outlined in this letter.

If your association or its executive committee decide to act on this proposal, I shall be glad to come on, mainly for the purpose of attending the sessions of the said select committee. In addition to this function, I would also, with the approval of your executive committee, attend your meeting in Nashville to address it on the subject under discussion, and would, furthermore, comply with your request to present the matter to the people in an "extended tour through the South," as suggested in your letter.

In view of the widespread and general interest taken in the issue before us, it may not be out of place for me to suggest that if your organization act on this proposal it should invite the presence and participation at the meetings of the proposed select committee of representatives from the National Grange, the National Farmers' Congress, representation from the Department of Agriculture and the Department of Commerce and Labor (officially or semi-officially appointed), economists from the leading universities, representatives of the Nebraska Rural Life Commission (appointed by the Nebraska Legislature), the Trans-Mississippi Congress, the Irrigation Congress, the Dry-Farming Congress, and similar organizations.

Or, if it be not deemed expedient or practicable for representatives of these bodies to be present at this proposed session of the select committee, I would then suggest that the committee appointed as the result of its deliberations be authorized to subsequently add to its number representatives of such organizations as those I have named.

It must be obvious to all who give thought to the matter that the action here proposed—the calling of the select committee by the Southern Commercial Congress, the appointment of the committee of inquiry, its investigations in Europe, its report, and the publicity which all this would engender—must tend toward the solution of the question at issue in the most prudent, conservative, and effective manner.

Such action would not alone be calculated to bring about the best results, but it would also be of great value in preventing mistakes, mistakes that would be likely to prove grievous and dangerous to the economic interests of the people; and it would be especially valuable in preventing attempts by incapables, whilst tending effectively to ward off that army of rapacious and dishonest adventurers who are always eager to avail themselves of the opportunities afforded them by any overhasty or ill-judged initiative, especially so when exerted in such a new field as that of starting in the United States the European systems of rural cooperative credits.

Awaiting the decision of your committee on the proposal I have made, I remain,

Yours, very truly,

DAVID LUBIN,

Delegate of the United States,

International Institute of Agriculture, Rome, Italy.

Hon. David Lubin, American delegate to the International Institute of Agriculture, Rome, Italy, prior to his departure from Rome published the following notice from the International Institute of Agriculture:

THE RAIFFEISEN SYSTEM—ITS ADOPTION IN THE UNITED STATES.

The inclosed leaflet is a brief summary of information on the Raiffeisen and other European systems of rural cooperative credit published by the International Institute of Agriculture, Rome, Italy.

The keen interest awakened in these systems by the regular publications of the Institute has widened the circle of inquirers to an extent which renders this brief summary of the information necessary.

It will also serve as a ready memorandum at the meeting to be held under the auspices of the Southern Commercial Congress at Nashville, Tenn., in the early part of April, 1912, when these systems are to be brought up for consideration and action.

The Southern Commercial Congress has called a special session of a select committee of representatives from various sections of the Union to meet the American delegate to the International Institute of Agriculture for the exclusive consideration of the Raiffeisen and other European systems of rural cooperative credit. Said select committee is to introduce and vote on a motion for the appointment of a traveling committee of inquiry to investigate the operation of those systems in Europe. The result of these investigations is to be embodied in the form of a report for public discussion, so as to afford a safe and sound

basis for final action toward the introduction or adaptation of these systems in the United States.

DAVID LUBIN,

Delegate of the United States,

International Institute of Agriculture, Rome, Italy.

Upon the organization of the conference Mr. Lubin, who was present by permission of the Department of State to guide the deliberations of the body in the study of the question of agricultural finance, submitted as a basis of study the following outline of the European cooperative credit systems:

An outline of the European cooperative credit systems.

INTRODUCTION.

Since the early part of the nineteenth century European farmers have been struggling against adverse economic conditions. Chief among the difficulties against which they have had to contend has been the competition of new countries of immense territory and virgin soil, which, owing to the improvement in the means of transport, have been able to flood the markets of Europe with agricultural produce. Even in the most perishable products the competition has been severe, for the development of cold storage has enabled them to be brought to Europe from the most distant parts of the world.

To make headway against this competition an economic transformation has been necessary, comparable to the transformation which has taken place in industry. The European farmers have accordingly reorganized not only their technical but their business methods.

The new business methods, which have spread all over Europe and have been adopted even by the new countries (the United States and the British colonies), as well as by Asiatic countries, such as India and Japan, consist in the main in the application of cooperation and mutual aid—combined efforts and the acceptance of mutual obligations—to the various branches of the business of agriculture, of which the following are the most important:

- (1) The provision of capital.
- (2) The purchase of agricultural requirements.
- (3) The preparation and sale of agricultural produce.
- (4) Farm insurance.

It is with the application of cooperative and mutual methods to the provision of capital that we are here concerned, and we will endeavor to trace not only the principles of cooperative credit, but the methods in which those principles have been applied in various countries.

The main principle underlying all forms of cooperative credit is that if a group of persons combine to furnish a collective guaranty they can, on the security of that guaranty, obtain money at lower rates of interest than they could obtain it individually.

The collective guaranty may be that of real property. A number of landowners may obtain capital on the security of a collective mortgage of their lands. This is the basis of German *Landschaften*, one of the oldest forms of cooperative credit institutions.

Or, again, the collective guaranty may be a personal one. A number of persons may obtain capital by making themselves jointly responsible for its repayment. Such liability may be unlimited or limited.

Unlimited liability is a fundamental part of the Raiffeisen system, but in the Schulze-Delitzsch system the liability of the members of the group is usually limited. Where the members are landowners the collective personal guaranty becomes indirectly a property guaranty.

Upon such guaranties capital may be obtained in a variety of ways. In Germany the *Landschaften* issue bonds, but the Raiffeisen banks derive their working capital mainly from the deposits they are able to attract. In France the rural banks depend mainly upon capital advanced by the State. In all countries the credit societies are able to obtain capital from the larger banking institutions or from the investing public. derive their working capital mainly from the deposits they are able to lend it to one another at a rate of interest only slightly in excess of the rate which they pay collectively. This requires two conditions—

- (1) that the expenses of management shall be small in proportion to the business done, and
- (2) that the risk of loss shall be reduced to a minimum.

Where the business is very large, the expenses are not proportionately high, even if the undertaking be conducted on ordinary commercial lines, as we shall see in the case of the Schulze-Delitzsch banks. Where, however, the business is small there must be no attempt to pay high dividends and the management must be largely voluntary. In the banks formed on the Raiffeisen system (which are individually small, though in the aggregate they do an enormous business) the payment of dividends is either prohibited altogether, or it is limited to a small percentage, while the management is almost entirely gratuitous.

To reduce the risk of loans to members, many safeguards have been devised which are adopted to varying extents in the different systems.

Where the members are landowners and can give mortgages of their property, it is only necessary to insure that the amount of the loan shall be fully secured by the mortgage, allowing for any possible depreciation in the value of the property. Loans on mortgage are, however, an inconvenient form of credit, where capital is only required for a comparatively short period, and the following are the principal safeguards for loans given on personal security:

- (1) That loans are only made to members of the group and that only persons known to be trustworthy are admitted.
- (2) That membership is confined to persons residing within a small district and that, therefore, the members are personally known to one another.
- (3) That the members being mutually responsible, it will be to the interest of all members to keep an eye upon a borrower and to see that he makes proper use of the money lent to him.
- (4) That, in like manner, it is to the interest of all members to help a member when he is in difficulties.
- (5) That the borrower is required to find sureties or give other collateral security for the repayment of the loan.
- (6) That the borrower binds himself to apply his loan to a specific purpose which will bring in a monetary return sufficient to enable him to repay the sum borrowed, to pay the interest charged, and to leave a profit for himself.

It is not to be supposed that the whole of these safeguards are adopted in all cases. Loans, for example, are sometimes given on the borrower's mere note of hand, without any collateral security. The fixing of the application of the loan, again, is most important where the borrowers are small cultivators unaccustomed to commercial methods, and is usually relaxed as their economic education becomes more advanced. We thus find it more generally insisted upon by the Raiffeisen banks in Austria and Italy, where they are of more recent introduction than in Germany, where the members have now become familiarized with the commercial uses of credit.

We shall now see how these principles are applied in practice. In the survey which follows of agricultural cooperative credit in various

countries we shall begin with Germany, since it was in that country that the three most important forms of cooperative credit—the Raiffeisen banks, the Schulze-Delitzsch banks, and the Landschaften—were originated. We shall then deal with Austria and Italy, in which countries the systems adopted are mere modifications of the German systems, and it will only be necessary for us to indicate in what respects they depart from the German model. Then will follow chapters on France, where cooperative credit is based largely upon an elaborate system of State aid, and Belgium, where we shall note the existence of a form of organization not found in other countries. The last two chapters will relate to Great Britain and Ireland, where cooperative credit is not as yet highly developed, and to British India, where it has been promoted directly by the Government.

CHAPTER I.

RURAL BANKS IN GERMANY—THE RAIFFEISEN SYSTEM.

In the first half of the past century the small farmers and small artisans of Germany, who could not have recourse directly to capitalists or to banks, suffered severely at the hands of the usurers, from whom they procured the credit which was indispensable to the exercise of their business. The seriousness of the situation, rendered more acute by the economic transition which was taking place, and was bringing with it a great and urgent need of credit, was clearly recognized by two men, who have deserved well not only of Germany but of the whole civilized world, by devising and putting into practice the best methods of remedying the evil. These were Frederick William Raiffeisen, burgo-master of Weyerbusch, and Francis Frederick Schulze, better known by the name of Schulze-Delitzsch. The former was the originator of the rural cooperative banks, which have spread into all civilized countries, the latter of the urban popular banks.

These two forms of cooperative banks, although somewhat different in their organization, are based on the common fundamental principle of organizing the would-be borrowers themselves in order that they may obtain by combination the credit facilities which they would have sought individually in vain.

Such cooperation has made possible, on the one hand, the collection among the members themselves, in the form of shares or of small deposits, of a considerable amount of capital, which serves to supply the credit requirements of their fellow members. On the other hand, the cooperative credit societies, being regularly managed and subject to rigorous supervision, have been able to procure credit on favorable terms from outside sources of capital.

The credit given by the Raiffeisen banks, which are rural in character, and by the Schulze-Delitzsch, which are mainly urban, is usually personal credit. Although they occasionally grant loans on mortgage for long periods, they generally confine themselves to the making of loans for comparatively short periods (in the Raiffeisen banks usually for one year, with a maximum of three or five years; in the Schulze-Delitzsch banks, three or six months) on personal security or on the security of personal property.

Loans on mortgage for long periods are, however, granted by another type of cooperative credit society, of which we shall have occasion to speak later, viz, the Landschaften and Ritterschaften. These are associations formed by landowners with the object of obtaining credit for land improvement by the issue of mortgage bonds.

We shall describe in this chapter the organization and working of the Raiffeisen banks.

1. ORGANIZATION OF THE RURAL BANKS.

The fundamental principles of the Raiffeisen system are:

- (1) Unlimited liability of the members.
- (2) A restricted area of operations.
- (3) Gratuitous management.

To these principles, which he wished to be always applied with the utmost rigor and without allowing any exception, Herr Raiffeisen added a body of moral and educational doctrines.

In addition to the rural banks which follow strictly the Raiffeisen principles, and are combined in a national federation with headquarters at Neuwied (now removed to Berlin), there have also arisen other organizations which, although adopting the fundamental ideas of Raiffeisen, have not accepted the excessive strictness of his rules, and have treated as superfluous the mystical doctrines which he had introduced into cooperation. The societies of this type, after having long hesitated between a separate organization and the Schulze-Delitzsch Federation, were finally collected under the guidance of William Haas into a separate national federation, which had its headquarters first at Offenbach and then at Darmstadt.

The former of these federations became affiliated to the National Federation in 1904, and to indicate the rapid development of the rural banks we may here state that the number of societies embraced within the National Federation increased from 10,786 in 1904, with a membership of 954,000 and a total business (incoming and outgoing) of 2,490,000,000 marks (a mark is equivalent to 0.238 dollar or 0.485 pound sterling), to 12,614 in 1909, with a membership of 1,163,000 and a total business of 4,456,000,000 marks.

Certain differences (not, however, very serious) continue to exist between the pure Raiffeisen banks and the societies established on less strict lines. We shall have occasion to speak of these differences in outlining, as we now proceed to do, the leading features of the organization of the Raiffeisen banks. The statements are based upon the reports of the National Federation and the figures relate (except where the context otherwise indicates) to the year 1909 and to the 12,614 rural banks embraced within the National Federation in that year.

Membership.—The members are farmers, usually peasant-proprietors. The 12,614 rural banks existing in 1909 numbered in all 1,163,186 members—that is, an average of 92 members per bank. The number of members per bank varies considerably, however, in different regions, the highest average being in Westphalia, where it reaches 160 members per bank. The minimum number required by the legal constitution of the banks is 7, and some of the recently-formed banks have exactly this number of members. The highest number of members contained in any one bank is 1,400, but this is a very exceptional case.

Liability.—The principle maintained by Raiffeisen was that of the unlimited joint and several liability of the members. While for other forms of rural cooperation the system of limited liability is increasingly adopted, the system of unlimited liability is still regarded in Germany as the system best adapted to rural cooperative credit. Of the banks existing in Germany 92 per cent are based upon unlimited liability and about 8 per cent upon limited liability. A fractional percentage of the banks were based upon an intermediate system, known as the system of unlimited liability to make supplementary payments.

Shares.—Raiffeisen commenced by excluding shares altogether, in order to avoid any danger of capitalistic speculation and, in fact, up to 1876 none of his banks had shares.

Being obliged in that year to comply with the imperial law which compelled cooperative societies to have foundation capital, he sought to evade the law as far as possible and fixed the shares at a maximum value of 10 marks. The Darmstadt Federation, on the other hand, recommended comparatively large shares, but in no case higher than 500 marks. In very few cases, however, does the value of the share exceed 100 marks.

In 1909 the average paid-up capital per member amounted to 19 marks. But in this regard also there are great differences as between different regions. The necessity of forming a foundation capital is, in fact, not so great in the case of the exclusively agricultural banks, the operations of which are guaranteed by the lands of the members, as in the case of banks which can only offer a personal guaranty.

Thus in Rhenish Prussia and Hesse, which are mainly industrial, the average paid-up share capital is respectively 103 and 86 marks, while on the other hand, the average is lowest in other regions, such as Westphalia and Oldenburg, where it hardly reaches 4 or 6 marks.

In the societies where the liability is unlimited a member can not take more than one share; in societies with limited liability, however, he may take many. The value of the shares and, in the latter case, also their number, are fixed by the rules. The shares are repayable to the members upon withdrawal from the society, and interest is paid upon them at a rate which must not in any case exceed the interest which borrowers pay upon loans from the society.

Entrance fees.—The pure Raiffeisen system does not admit of any entrance fees, as being contrary to the lofty conceptions of mutual responsibility which inspired Raiffeisen's propaganda. Raiffeisen wished that his banks should be open to anyone who required to have recourse to them. The Darmstadt Federation, however, allows small entrance fees, which are immediately carried to the reserve fund.

Area of operations.—Another fundamental principle of the Raiffeisen system is that the area of operations should be limited to a commune or a parish. The system of the rural banks is, in fact, founded on mutual confidence and collective liability; the members must not only know each other personally but must also be able to see from day to day the manner in which their money is employed.

Management.—The organization of the rural banks being, so to speak, familiar and friendly, their management is very simple. The administrative functions are divided between the committee of management, the council of supervision, and the general meeting. The executive work is carried out by the treasurer, who is often the only employee of the bank, and in any case is responsible for the work of the other employees.

The general meeting appoints the committee of management, the council of supervision, and the treasurer. The conduct of the business is intrusted to the committee of management, upon which often sit the best educated persons of the district, such as the schoolmasters or priests; for these, however, actual farmers are being more and more substituted.

The committee of management usually give their services gratuitously. This, too, is one of the principles of the pure Raiffeisenism, which, however, permits in any case the remuneration of the treasurer. The Darmstadt Federation also allows the committeemen to be paid for their services when the business of the bank is fairly large.

In 1909 the expenses of management amounted, on the average, to the modest sum of 638 marks per bank. Here, too, one finds marked differences between the various federations. In Ermland, in East Prussia, and in West Prussia the average expenses of management are rather high, ranging from 1,200 to 1,400 marks. The lowest average is found in the Upper Palatinate, where it is 244 marks. If again we consider the general expenses in proportion to the total business done (i. e., the sum of the incomings and outgoing), we find an average percentage of 0.18, with a maximum of 0.53 per cent in the Nassau Federation (Frankfurt on the Main) and a minimum of 0.04 per cent in Schleswig-Holstein.

2. THE BUSINESS OF THE RURAL BANKS.

Let us now examine first the sources from which the rural banks draw their working capital and then the methods of advancing the capital so obtained to their own members. We shall thus follow the complete cycle according to which the business of the rural banks is conducted.

Working capital.—The capital which the banks have at their disposal for making loans to their members is composed of the shares paid up by the members, the reserve fund accumulated in previous years, the savings deposits and deposits on current account, and, lastly, the sums which the bank procures by means of loans from central cooperative banks, other banks, or private individuals.

In the balance sheet, the working capital is approximately the same as the total liabilities. It is true that in the total liabilities are also included items, such as bills issued, which appear in equal amounts on both sides of the balance sheet, and figures relating to certain operations (e. g., property deposited, payments, etc.) which are not part of the capital at the disposal of the bank. However, not being able to eliminate such items, and taking into consideration that they are comparatively unimportant in the case of the rural banks, we can consider the working capital as being roughly equivalent to the total liabilities.

The total liabilities amounted in 1909, for the whole of the German Empire, to 1,900,000,000 marks, being an average of 153,000 marks per bank and 1,664 marks per member. These averages varied between rather wide extremes. The average per bank reached almost half a million marks in the Ermland Federation, while it was as low as 67,000 marks in the Grand Duchy of Baden. The average per member was highest in Rhenish Prussia (the Bonn Federation), where it reached 3,000 marks, and lowest in the Grand Duchy of Baden, where it was 700 marks.

Let us now analyze the total working capital according to the items which compose it:

	Marks.	Percentage of the total.
Share capital.....	22,358,433	1.2
Reserve.....	50,981,069	2.6
Deposits on current account.....	189,077,842	9.8
Savings deposits.....	1,455,618,456	95.2
Other liabilities.....	217,487,462	11.2
Total working capital.....	1,935,523,262	100.0

¹ \$461,089,662, or £94,744,821.

Under the head of "Other liabilities" are included, besides other items, the sums which the banks have procured by loans from banks and individual capitalists.

The share capital together with the reserve funds form the banks' own capital; the remainder is capital from outside sources. Following this simpler classification we find that the former amounts to 73,339,502 marks, or 3.8 per cent of the total, and the latter to 1,862,183,760 marks, or 96.2 per cent.

These figures suggest some interesting considerations. We see, first of all, that the rural banks succeed in carrying on an enormous business on the foundation of an extremely slender capital. The current accounts and savings deposits furnish, however, the greater part of the working capital, viz. 85 per cent of the total. As against this the loans from third parties only form a relatively small figure, which demonstrates the capacity of the rural banks to provide, for the most part, by the ordinary means, for their operations without having recourse, to too great an extent, to loans from outsiders. Out of nearly 2,000,000,000 marks placed at the disposal of the farmers, only 11.2 per cent was furnished by outsiders, while 88.8 per cent was provided by the savings and deposits of the farmers themselves or of the local public.

To the capital of the society we have referred when speaking of the shares; of the reserve fund we shall speak when dealing with the distribution of the profit. We need only remark here that the capital obtained from outside sources is twenty-five times as large as the societies' own capital (share capital and reserve). This proposition is generally considered too high. There is a tendency, therefore, at present to increase the value of the shares, raising it to 50 or 100 marks, in order to provide the rural banks with a wider margin to cover possible fluctuations in the deposits.

In regard to the deposits it should be noted that savings deposits may be made either by members or by nonmembers, but that deposits on current account can only be made by members. In 1909 the savings deposits averaged 115,000 marks per bank. In the various federations this average reached a maximum of 447,000 marks in the Ermland Federation and was lowest in Federation of Alsace-Lorraine, where it was 43,000 marks. The averages of the deposits on current account were lower, being 22,905 marks per bank and 247 marks per member. The highest averages were found in the Grand Duchy of Hesse, viz. 84,466 marks per bank and 684 marks per member, and the lowest in the Federation of Posen (No. II) and in the Raiffeisen Federation of Alsace-Lorraine, being, respectively, 4,398 marks and 4,643 marks per bank and 49 marks and 27 marks per member.

We have said that 11 per cent of the working capital is drawn from outside sources. These include the central cooperative banks, the banking institutions, and the private individuals with whom the rural banks contract debts by means of banking operations. Since the development of the central banks, however, the business of this kind with other banks or with private individuals has greatly diminished. It will be more convenient to speak of the business done with the central banks when we are dealing with these latter, but we may here remark that since the working capital of the central banks is formed to a large extent by the funds received from the local rural banks the proportion of the money provided by the farmers themselves to be employed in loans for the benefit of agriculture is really even larger than would appear from the figures previously given.

The granting of loans, etc.—The business of the banks consists, for the most part, in making advances to members. Surplus money is deposited with the central banks or invested in banking operations with third parties. With regard to the loans to members, we will speak first of their character and then of the security upon which they are made.

The rural banks make loans of two kinds, viz. loans on current account and loans for fixed periods. At the end of 1909 the loans to the members outstanding were thus classified:

	Marks.	Percentage of total.
Loans on current account.....	425,995,403	28.3
Loans for fixed periods.....	1,082,446,388	71.7
Total loans outstanding.....	1,508,441,791	100.0

The loans on current account were, therefore, about a third of the total loans. In all the banks there is a tendency to extend the practice of giving loans on current account. This is generally the most convenient form of loan for the members, for whom the small rural bank serves as banker, just as the great banking institutions do for the merchants and manufacturers of the city. But this form of loan requires a higher economic education in the members and more advanced social conditions.

The members guarantee the fulfillment of their obligations to the bank by finding sureties, by the deposit of valuables (share certificates, etc.), by giving a mortgage or by their mere promise. The finding of sureties is the form of security usually preferred.

The period of the loans varies from six months to two or three years and even more in exceptional cases.

Various other arrangements have been thought out to diminish the risk of the loans granted by the rural banks. Thus, for example, the law relating to cooperative societies lays it down that the general meeting shall fix the maximum limit beyond which loans must not be made to the members, whatever may be their financial position or whatever the security offered.

The principal safeguard, however, for the success of the rural banks lies in their very constitution. The limited area of operations and the nature of rural life make it possible for each member to keep an eye upon the affairs of his fellow members, in which, moreover, he is directly interested, so that he can easily judge at any moment of their solvency and of the manner in which they are utilizing the money obtained from the bank.

Profits.—The object of the rural banks is to give credit to their members on favorable terms and not to make a commercial profit.

The Raiffeisen system, accordingly, does not admit of any distribution of dividend, all the profits realized being carried to the reserve fund or to the creation of institutions of public utility. The Darmstadt Federation, on the other hand, allows a distribution of dividend on the shares, which, however, must not exceed the maximum rate of interest charged to borrowers.

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In 1909 the net profit realized by the rural banks was more than 7,000,000 marks. This is sufficient evidence of the flourishing condition of these institutions. Of this enormous profit only a small fraction was distributed as dividend. In no case, in fact, did the dividends distributed exceed 4 per cent of the paid-up shares, and in many cases no dividends at all were distributed. In this manner the banks are continually strengthening their financial position. This is demonstrated by the steady increase of the reserve funds. In a single year, from 1908 to 1909, the aggregate reserve fund was increased by 7,000,000 marks, while the profits realized at the end of 1908 were about 8,000,000 francs. Thus seven-eighths—that is, 87 per cent—of the profits made in that year were carried to the reserve.

3. STATISTICS OF THE RURAL BANKS.

The following statistics will show, better than it can otherwise be indicated, the great development in Germany of the rural banks, which were so modestly initiated in 1862.

We give first a table relating to the number of banks legally established in Germany, as shown by their registration in the Gazette of the Empire.

TABLE I.—Number of rural banks in Germany on June 1 in each year from 1890 to 1910.

	Number.
1890.....	1,729
1891.....	2,134
1892.....	2,647
1893.....	3,040
1894.....	3,850
1895.....	4,872
1896.....	6,391
1897.....	7,612
1898.....	8,595
1899.....	9,208
1900.....	9,793
1901.....	10,487
1902.....	11,121
1903.....	11,750
1904.....	12,477
1905.....	13,181
1906.....	13,635
1907.....	14,096
1908.....	14,709
1909.....	15,158
1910.....	15,517

We now give some figures showing the business done by the 12,614 rural banks embraced in the National Federation in 1909. It should be noted that while the figures in the preceding table are derived from information which the societies are bound by law to publish, the following figures are privately collected by the federations (of which we shall give an account presently), and more particularly by the National Federation.

TABLE II.—Business done by the rural banks in 1909.

	Aggregate figures.	Average per bank.
Number of banks of which particulars are given.....	12,614	
Membership.....	1,163,186	92
Total business done (incomings and outgoings).....	¹ 4,456,161,532	² 353,271
Total liabilities.....	1,935,523,262	153,442
Paid-up share capital.....	22,358,433	1,773
Reserve funds.....	50,981,069	4,042
Deposits in hand at end of year.....	1,644,696,298	130,387
Loans outstanding at end of year.....	1,508,441,791	119,584
Loans granted during the year.....	² 901,227,744	71,446

¹ \$1,061,568,167, or £218,131,310.

² \$214,694,794, or £44,115,544.

4. THE FEDERATIONS AND CENTRAL INSTITUTIONS OF THE RURAL BANKS.

(We adopt here a distinction which is not in general use in English. The word "federation" will be employed to indicate a central organization of cooperative societies for such purposes as propaganda, education, supervision, and mutual defense. By "central institution" we shall mean a central organization of cooperative societies for business purposes.)

The rural banks felt from the beginning the need of combination amongst themselves for common purposes. The need was twofold. On the one hand, a common organization was required to direct the movement and to give it uniformity; on the other hand, there was need of central institutions which might equalize the need of credit of the individual banks, supplying them with money when required and employing their surplus funds.

For the first of these objects the federations were formed; for the second, the central institutions.

(a) The federations.—The federations of cooperative societies are unions formed for propaganda, education, and mutual defense. They embrace not only rural credit societies, but rural cooperative societies of every kind.

We have already mentioned the existence of two great federations which embrace the whole Empire within their sphere of operations—the Federation of Agricultural Cooperative Societies, with headquarters at Neuwied, founded by Raiffeisen in 1877, and the National Federation of German Agricultural Cooperative Societies, which was founded in 1883, and has its headquarters at Darmstadt. For a long time these led a separate existence, each propagating its own ideas; sometimes, too, there was hostility between them. Finally, in 1905, the Neuwied Federation became affiliated to the National Federation of Darmstadt. There is now, therefore, a single organization, the National Federation of Darmstadt, which embraces a very large majority of the German agricultural cooperative societies. It contained on June 1, 1910, no less than 18,962 cooperative societies, including 78 central cooperative societies, 12,894 cooperative credit societies,

2,077 cooperative distributive societies, 2,028 cooperative dairies, and 1,885 cooperative societies of other kinds.

The national federation is, in reality, composed of provincial federations. In fact, only five cooperative societies, of which four are central institutions, are directly affiliated to the national federation, while all the rest are indirectly attached to the national federation by being affiliated to the respective provincial federations. These are federations which embrace the cooperative societies in a defined portion of the territory of the Empire, and which, although affiliated to the national federation, enjoy a large degree of autonomy.

Besides the work of instruction, organization, and propaganda, they fulfill the very important function of inspection, assigned to them by the law of 1889. For this purpose they employ inspectors, who, by frequent visits, supervise the management and the conduct of the business of the affiliated societies.

To indicate the importance of the provincial federations, it is sufficient to say that of the 23,845 rural cooperative societies existing in Germany in 1910, no less than 21,830 (i. e., 92 per cent) were organized in federations. The number of provincial federations affiliated to the national federation is 41. Besides these, there are some independent federations which embrace a limited number of cooperative societies and of which the most important is the Federation of Wurtemberg, containing, 1,383 cooperative societies in 1908.

(b) The central banks.—As we have already indicated, the second method of centralizing rural banks and cooperative societies in general is the formation of central banks. Between these and the federations there is no confusion of functions, but they mutually support one another. The central banks undertake the provision of capital for the rural banks and the utilization of their surplus funds, when they have any; always keeping in touch with the corresponding federation, to which they are usually linked by the fact that the same persons manage the business of both institutions. Further, the central banks, as a rule, only admit cooperative societies which already belong to the federation of their province.

The provincial central banks are cooperative societies with limited liability. The Bank of Darmstadt alone is a company with liability limited by shares, having been founded before the law of 1889 allowed the formation of central cooperative societies composed of other cooperative societies.

In 1910 there were affiliated to the national federation 36 provincial central banks, of which 35 were distributed throughout the various regions of Germany, and one was in the German colony of Southwest Africa.

Speaking broadly, it may be said that the central banks fulfill the same functions for the rural banks which the rural banks fulfill for their members.

As in the case of the rural banks, the working capital is furnished by the share capital, by the deposits of the cooperative societies, and by the sums which they procure by loans from the general central banks or the Prussian Central Bank (of which we shall speak presently) and from other banks, or private bankers. In like manner as we have seen in the case of the separate rural banks, the most important part of the working capital is formed by the deposits of the members. This is clearly shown by the following table, which indicates the working capital of the provincial central banks at the end of 1909:

	Marks.	Percentage of total.
Paid-up capital.....	21,493,532	8.2
Reserve funds.....	4,321,500	1.6
Deposits of the members.....	187,345,775	71.3
Loans from the general central banks and the Prussian Central Bank.....	19,047,687	7.2
Loans from other banks or from private individuals and liabilities in respect of bills.....	28,616,979	10.9
Other items.....	1,990,123	.8
Total.....	262,815,596	100.0

¹ \$62,609,191, or £12,864,953.

From these figures we see that of the working capital of the provincial banks 9.8 per cent is formed by the funds of the banks themselves (share capital and reserve), 71.3 per cent by deposits, and 18.9 per cent by loans contracted with third parties. If we compare these percentages with the corresponding figures for the rural banks, we shall see that the funds of the banks themselves, though representing in both cases only a small proportion of the total available capital, is appreciably higher in the central banks than in the rural banks, while the proportion of the deposits is less and of the loans from third parties greater. Accordingly the central banks, by regulating the rate of interest, endeavor to increase the amount of the members' deposits, and thus to lessen the necessity of having recourse to outside sources of capital.

The central banks utilize their working capital in making loans to the cooperative societies either in the form of advances on current account or of loans for fixed periods. The first kind is by far the most usual, unlike what we have seen in the case of the rural banks. This is explained by the fact that the central banks are dealing with economic organisms which are more developed, and therefore better adapted to this more advanced form of credit. At the end of 1909 the provincial central banks had about 182,000,000 marks outstanding on loan, of which 173,000,000 marks (that is, 95 per cent) were loans on current account and 9,000,000 marks (5 per cent) loans for fixed periods. The remainder of the capital was invested in securities or in discounting bills of exchange, or deposited with the general central banks or with other banks or private bankers.

Besides the provincial banks of which we have spoken, there are also two general central cooperative banks which, unlike the provincial banks, have a sphere of operations which is not limited to that of a provincial federation, but extends over the whole Empire. These are the Central Agricultural Loan Bank of Germany, with headquarters at Berlin, which was founded by Raiffeisen in 1876 and until recently had its headquarters at Neuwied, and the National Bank for Cooperative Societies, with headquarters at Darmstadt, established in 1902 by the national federation. Both of these banks are companies with liability limited by shares.

The Darmstadt bank deals almost exclusively with the 36 provincial central banks. To the Berlin bank, on the other hand, are affiliated 4,399 rural banks of the pure Raiffeisen type scattered over the whole of Germany. The loans granted to members amounted, in the case of the Berlin bank, to 74,600,000 marks (of which 2,000,000 were loans for fixed periods) and in the case of the Darmstadt bank to about 11,000,000 marks, all being loans on current account.

The following table gives aggregate statistics of the provincial banks and separate statistics of the two general banks for the financial year 1909:

TABLE III.—Business done by the provincial banks and the two general banks in 1909.

	Aggregate figures for the provincial banks.	National Bank for Cooperative Societies (Darmstadt).	Central Agricultural Loan Bank of Germany (Berlin).	Aggregate figures for provincial and general banks.
Number of banks of which particulars are given....	36	1	1	38
Membership.....	10,987	50	4,399	15,436
Sum guaranteed by the liability of the members.	Marks. 266,830,500	Marks. 5,000,000	Marks. 8,581,000	Marks. 280,411,500
Total business done (incomings and outgoings).....	4,913,786,468	836,082,752	787,206,739	16,537,075,959
Total liabilities.....	262,815,596	17,658,896	91,523,183	371,997,675
Paid-up share capital.....	21,493,532	5,000,000	8,581,000	35,074,532
Reserve funds.....	4,321,500	8,602	712,416	5,042,518
Deposits from local cooperative societies in hand at end of year.....	187,345,775	9,922,413	80,379,645	277,647,833
Loans to local cooperative societies outstanding at end of year.....	182,503,114	10,703,101	74,673,826	267,880,041
Loans granted during the year.....	732,715,881	191,479,143	(²)	³ 924,195,024

¹ \$1,557,293,580, or £319,993,100.

² The amount of the loans granted by the Central Agricultural Loan Bank of Germany is not stated in the statistics published by the national federation.

³ Exclusive of the amount of loans granted by the Central Agricultural Loans Bank for Germany, \$220,196,170, or £45,239,803.

CHAPTER II.

POPULAR BANKS IN GERMANY—THE SCHULZE-DELITZSCH SYSTEM.

The rural banks and their central banks are not the only cooperative societies in Germany which provide agriculture with personal credit; we must also take account of the popular banks on the Schulze-Delitzsch system. (We employ the expression "popular banks," although this is not the title usually adopted in Germany, where they are known as "savings and loan banks." English writers usually describe them as "urban banks," but we avoid this title, as we are considering the banks in relation to agriculture. The title "popular banks," given in Italy to the Luzzatti banks, seems equally appropriate for the Schulze-Delitzsch banks upon which the Luzzatti banks were modeled.)

These banks, which were formed before the rural banks and served as models for the first banks founded by Raiffeisen, assisted largely at the beginning of the cooperative movement to combat usury, even in the country. Even now, notwithstanding the great development of the rural banks, they are largely utilized by farmers, many of whom belong, as we shall now see, to the banks themselves.

While Raiffeisen adapted cooperation to the needs and to the mental attitude of the farmers, Schulze-Delitzsch devised organizations specially suited to the needs and economic character of town dwellers. The Schulze-Delitzsch banks have, therefore, unlike the rural banks, a large range of business in an extended area of operations; they accumulate a considerable quantity of capital and they distribute fairly high dividends. They do not follow the principle of unpaid management; on the contrary their management is rather costly and is conducted on strict business lines. They are very often based on limited liability and they carry on a series of banking operations which the rural banks only undertake exceptionally, if at all. In fact, their business approaches more closely than that of the rural banks to banking business properly so called.

The greater number of the Schulze-Delitzsch banks are affiliated to a general federation, of which we shall speak in due course. The number of banks affiliated to this federation increased from 904 in 1901 to 939 in 1910, while the membership increased during the same period from 527,000 to 600,000; the loans granted in 1901 amounted to 2,525,500,000 marks, while the loans granted in 1910 amounted to 4,015,900,000 marks.

There exist also a certain number of independent banks, unattached to the federation. Of 1,035 banks which furnished particulars of their working in 1910 to the federation 939 were affiliated to the federation and 96 were independent of it. The particulars which follow refer exclusively (except where otherwise indicated) to the 939 banks affiliated to the federation.

1. ORGANIZATION OF THE POPULAR BANKS.

There are marked differences between the popular banks and the rural banks, both in regard to the character of the members and to the size of their shares.

Membership.—The average membership of the popular banks in 1910 was 639, a figure considerably higher than the average for rural banks.

Whilst the rural banks draw their members exclusively from farmers, the Schulze-Delitzsch banks include members of various occupations. This is, indeed, a fundamental principle of the system, which regards an equitable representation of the various occupations and social classes as a factor making for the stability and prosperity of the popular banks.

In the following figures are shown, by percentages, the different classes which composed the membership of the popular banks at the end of 1910:

	Per cent.
1. Independent agriculturists (farmers, etc.)	26.57
2. Wage-earning agriculturists (laborers, etc.)	2.41
3. Artisans	23.03
4. Merchants, manufacturers, etc.	19.72
5. Workmen, apprentices, and wage earners generally	10.55
6. Professional men, civil servants, clerks, etc.	8.93
7. Persons living on pensions or possessing independent means	8.79

100.00

The class most largely represented are the independent agriculturists, who are usually farmers cultivating small or medium-sized holdings. Next come the artisans. These two classes together furnish about half the total membership. Considering the members from the point of view of social status, we may say that the popular banks contain principally persons belonging to the lower middle classes, without, however, excluding either the working classes or the persons who, like civil servants, manufacturers, etc., occupy a higher economic and social position.

Liability.—In 1910, out of a total of 939 banks, 567 (that is, 60.3 per cent) were based on unlimited liability and 372 on limited liability.

Although the system of limited liability is steadily increasing, unlimited liability is still considered the best system on which to establish popular banks in districts which are not yet familiar with cooperative credit.

Shares.—The shares of the members are, as we have already remarked, rather high. The general congress of the popular banks of 1896 recommended that the shares should be at least 300 marks. A subsequent congress recommended for banks with limited liability a minimum of 500 marks, limiting the liability of the members to three times the amount of the shares. At present the average share capital per member is 360 marks, but there is a constant tendency to increase it. In 1882 the average was 223 marks, increasing successively to 226 marks in 1892 and to 276 marks in 1902, finally reaching the present figure. It may be anticipated that this tendency will continue in the future, in view of the desire to insure for the popular banks a greater stability and independence.

2. THE BUSINESS OF THE POPULAR BANKS.

Working capital.—The aggregate working capital of the popular banks was nearly 1,500,000,000 marks at the end of 1910, giving the truly remarkable average of 1,500,088 marks per bank. This average, which shows the financial importance of the popular banks, is the result of a continuous upward movement. In 1886 it was only 617,000 marks; in 1898 it rose to 800,000 marks and in 1902 it reached the million. In the last 20 years the aggregate funds at the disposal of the popular banks has therefore been trebled.

Examining the sources from which these funds are derived, we find the following figures in 1910.

	Marks.	Percentage.
Share capital	216,330,103	14.8
Reserve funds	94,187,564	6.5
Capital from outside sources	1,145,014,688	78.7
Total working capital	1,455,532,355	100.0

¹ \$346,743,897, or £71,249,028.

The proportion of the banks' own funds (21.3 per cent) is therefore appreciably higher than in the case of the rural banks. The sources of information at our disposal do not distinguish between the funds derived from deposits and those obtained from third parties. The sum stated as "capital obtained from outside sources" includes, therefore, the savings or deposits on current accounts as well as the sums which the banks obtain from other institutions or from private individuals by contracting loans at sight or for fixed periods against acceptances or mortgages of their property.

Banking operations.—Speaking broadly, the Schulze-Delitzsch banks carry on every kind of banking business.

Their primary object is, however, that of granting loans for short periods to their members. For this purpose they used 4,000,000,000 marks in 1910, of which at the end of the year, 1,200,000,000 marks were still outstanding.

In regard to the period of the loans, we find that of the sums advanced during the year 41.5 per cent were on current account. The remainder was lent for fixed periods by means of discounting bills of exchange or giving loans on pledge or on mortgage. This last form of loan is, however, from the very nature of the popular banks, comparatively rare; at the end of 1910 the loans on mortgages amounted to scarcely 10 per cent of the total loans granted.

Where special guarantees, such as pledges or mortgages, are not given, the loans are guaranteed by sureties or by acceptances, sureties being usually preferred. A small number of loans are granted without guaranty of any kind.

Surplus funds are deposited with other institutions or invested in securities of first-class bills (bankers' acceptances), which represent the safest means of realization in case of any unforeseen eventuality. At the end of 1910 the popular banks possessed 61,000,000 marks deposited with other institutions, 98,000,000 marks in securities, and 22,000,000 marks in first-class bills, making a total of 181,000,000 marks of easily realizable assets. They also possessed 51,000,000 marks in real property, including office buildings and property acquired as the result of loans not repaid.

Profits and losses.—The gross profits realized in the year 1910 amounted to more than 76,000,000 marks. Of this sum 43,000,000 marks was required to pay the interest on the capital obtained from outside sources. The gross profit represented 5.23 per cent of the working capital; the sums paid, however, by way of interest on the capital obtained represented only 3.76 per cent of the working capital. The popular banks have therefore been able to procure the funds which they employ at a rate which is not too high and to realize a moderate margin of interest. From this margin must still be deducted the management expenses, which exceeded 12,000,000 marks. This

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was equivalent to 16.51 per cent of the total gross profits and to 0.09 per cent of the total business done (Incomings and outgoings).

The net profit available for distribution, after deduction of interest on borrowed capital, depreciation, and the various losses, exceeded 18,000,000 marks, representing 8.6 per cent on the share capital.

The greater part of the net profit was distributed as dividends; the remainder was carried to the reserve funds, or, to a small extent, devoted to objects of public utility. The rate of dividend distributed varies considerably from bank to bank, ranging generally from 5 to 7 per cent of the paid-up share capital. There were, however, 19 banks which distributed a dividend of more than 10 per cent and 1 in which a 25 per cent dividend was paid.

3. STATISTICS OF THE POPULAR BANKS.

The popular banks for which statistics for the year 1910 are available are shown in the following table:

	Number of banks.	Number of members.	Number of members who have taken part in the credit business.
Affiliated to the national federation	939	600,387	358,649
Not affiliated to the national federation	96	44,955	23,394
Total	1,035	645,342	382,043

It is worth noting how these banks really apply cooperative principles in relation to their members. More than half of the members took advantage, during the course of the year, of the credit facilities which they offered.

The following table contains particulars of the business done by the popular banks in the year 1910:

TABLE IV.—Business done by the popular banks in 1910.

	Banks affiliated to the national federation.	Banks not affiliated to the national federation.	Total.
	Marks.	Marks.	Marks.
Total business done (incomings and outgoings)	12,912,128,660	654,053,803	¹ 13,566,182,463
Total liabilities	1,477,195,299	100,338,847	1,577,534,146
Paid-up share capital	216,330,103	19,413,932	235,744,035
Reserve funds	94,187,564	5,523,311	99,710,875
Loans outstanding at end of year	1,201,862,882	83,907,985	² 1,285,770,867
Loans granted during the year	4,015,920,815	175,841,173	² 4,191,761,988

¹ \$3,231,801,035, or £664,071,338.

² \$998,581,640, or £205,188,822.

4. FEDERATIONS AND CENTRAL INSTITUTIONS OF THE POPULAR BANKS.

(a) **Federations.**—The great majority of the Schulze-Delitzsch banks are affiliated to provincial federations (32 in number), which in turn are affiliated to the General Federation of German Cooperative Societies.

The provincial federations include, besides the urban cooperative credit societies, cooperative distributive societies, cooperative productive societies, and cooperative building societies. In 1911 the federations embraced 1,514 cooperative societies, of which 973 were credit societies, 290 distributive societies, 63 productive societies, and 188 building societies.

(b) **Central Institutions.**—For the popular banks the need of central banks has not been felt so strongly as for the rural banks. The popular banks have, in fact, by their very nature, greater facilities for obtaining access to the open money market, and the promoters of the movement even hold that to be bound closely to specific central banks would be a hindrance rather than an advantage to the development of their business. Up to now three provincial federations have established central banks. These banks are companies with limited liability. Their importance is not great.

To equalize the funds of the popular banks there exists a special section of a private bank—the Dresden Bank—with which the cooperative societies have current accounts so as to facilitate the movement of their funds and to equalize the various debits and credits. The same institution also serves to facilitate the cashing of bills and checks, which are immediately honored and credited to the respective accounts. In the year 1910 the total value of the bills cashed was 748,000,000 marks.

CHAPTER III.

THE PRUSSIAN CENTRAL BANK FOR COOPERATIVE SOCIETIES AND OTHER STATE BANKS IN GERMANY.

We have had occasion to refer to the Prussian Central Bank. This bank, which itself is in no wise cooperative, is a State institution which serves not only the rural cooperative societies, but also the popular banks and the savings banks.

Founded by the law of July 31, 1895, it received from the Prussian Government an initial foundation capital of 5,000,000 marks, which has been successively increased to 20,000,000 marks in 1896, to 50,000,000 marks in 1898, and finally to 75,000,000 marks in 1909. This capital has been furnished by the State by means of the deposit of Prussian consolidated stock at 3 per cent. The affiliated banks can further contribute to the increase of the foundation capital by taking shares.

Although placed under the direct control of the State, the bank is an independent corporate body, with its own administration, composed of a committee of management, appointed for life by the King, assisted by a council of experts, consisting of representatives of the cooperative societies, chosen by the King. The functions of the council of experts are merely consultative.

The object of the bank is to provide working capital for the following institutions:

(1) Central banks (not for the cooperative societies separately) of any kind of cooperative societies legally established; not only, therefore, for the provincial or general central banks of the rural banks, but also of every other kind of cooperative society.

(2) The loan banks attached to the cooperative land-credit institutions (landschaftliche Darlehenskassen).

(3) The provincial or communal personal-credit institutions.

(4) The public savings banks.

From all these institutions the bank also receives deposits on current account or savings deposits.

At the end of 1909 the bank had business relations with 52 central cooperative banks, of which 19 were rural and 33 urban. Besides these it counted amongst its ordinary clients 8 loan banks attached to land-credit institutions; 6 provincial-credit institutions, etc.; 744 public savings banks and 684 other corporate bodies or individuals.

The means for carrying out its objects the bank derives from the 78,000,000 marks entrusted to it by the Government, from the deposits of the affiliated corporations, and from loans contracted with other banks.

The bank can not lend to cooperative societies individually, but only to unions of cooperative societies or to central banks composed of local cooperative societies. It fixes for every central bank a maximum limit of credit, based upon the financial condition of the bank, of the societies which compose it, and of their members. Within these limits loans are granted according to the available capital and to the guarantees offered.

In regard to the form of the loans they are either given on current account, on the security of bills of exchange (which the bank discounts), or against the deposit of goods or securities. The following are the most important particulars relating to the working of the bank during the year 1909:

	Marks.
Total business done (incomings and outgoings)-----	15, 197, 809, 000
Total liabilities-----	199, 725, 926
Paid-up share capital-----	76, 400, 000
Reserve funds-----	5, 400, 000
Deposits in hand at end of year-----	102, 740, 303
Loans to cooperative societies and similar institutions outstanding at end of year-----	40, 279, 662
Loans granted to cooperative societies and similar in- stitutions during the year-----	737, 268, 000

In several other States of the Empire similar institutions have been founded on the model of the Prussian Bank and endowed with capital out of the public treasury, either gratuitously or at a low rate of interest. We may mention amongst these the Central Bank of the Agricultural Cooperative Societies of Bavaria, which received a grant of 100,000 marks and advances of 4,000,000 marks, and the Agricultural Bank for the Cooperative Societies of the Kingdom of Saxony, to which advances of 6,000,000 marks were made at various times.

CHAPTER IV.

COOPERATIVE LAND CREDIT SOCIETIES IN GERMANY—"LANDSCHAFTEN" AND "RITTERSCHAFTEN."

Besides the cooperative banks of which the preceding chapters give a summary, there is another very characteristic form of cooperative credit in Germany, that of the *Landschaften* and *Ritterschaften*, cooperative institutions, organized generally for a Province or some other administrative unit. Their object is to obtain for their members the credit they require for land improvement by means of bonds guaranteed by the landowners of the Province collectively. The foundation of the first of these German institutions goes back to the end of the eighteenth century. There are now 25.

It is in Prussia, and above all in the five eastern Provinces, the ancient nucleus of the monarchy, that they have always flourished best. Even to-day, 18 are in Prussia and 10 of these in the five eastern Provinces. The bonds issued by the 10 *Landschaften* in the eastern Provinces in 1908-9 amounted to a total of 1,633,135,940 marks. (Not counting the new Institute of Credit for Brandenburg, which only issues bonds of the Central *Landschaft*.)

This is a sufficient proof of the usefulness and of the vitality of this form of cooperative credit, but it will give an even better idea of the important part played by the *Landschaften* and *Ritterschaften* to state that the total bonds in circulation, issued by the *Landschaften* in Prussia, amounted to 2,742,344,385 marks (\$653,294,429, or £134,239,113) in 1909, while the total amount of bonds issued by other German institutions, more or less of the same type, was 787,855,425 marks (\$187,686,697, or £38,565,913) at the same date.

In other terms, this form of cooperation furnished German agriculture in 1909 with a total of loans on mortgage of more than 3,490,199,810 marks. This is a considerable sum, which it would obviously not have been easy to obtain from the private and purely capitalist banks, and above all at so low a rate of interest, for these societies are satisfied with an interest which does not generally exceed $3\frac{1}{2}$ to 4 per cent.

1. COOPERATIVE LAND CREDIT SOCIETIES FOR LARGE ESTATES IN PRUSSIA.

In Germany, the first of these societies was founded in Prussian Silesia. After the Seven Years' War (1756-1763), the great military King and administrator, Frederick II of Prussia, saw that this Province, formerly rich and flourishing, was in a deplorable condition. The continual wars, the successive alterations of the currency, and the high price of land, followed by an alarming fall in its price, had almost ruined the landowners.

In 1767 a Berlin merchant, named Büding, presented to the King a scheme for an administrative and financial innovation, based upon the fact that it is the soil itself which represents the greatest part of the nation's wealth. He showed that the land is an asset, and that to obtain for the farmer the credit he required, it was enough to give this asset currency, according to the expression of the day. It was, in fact, an anticipation of the fundamental principle underlying the "assigmnats" which he wished to put in practice in favor of the proprietors of the "noble" estates. (In German "Rittergüter." They are the estates belonging to the "Ritterschaft"; that is, the nobility and landed gentry. Such estates were originally held by military service and the proprietors had manorial jurisdiction and certain administrative privileges.) To surround these new mortgage bonds with sufficient guarantees and also to gain the confidence of the capitalist, he depended on the principle of cooperation, and proposed to the King to combine the noble proprietors of Silesia in a compulsory cooperative society in which, in exchange for the duties they would have to fulfill, they should be granted the enjoyment of certain privileges.

This scheme of Büding's, at first rejected by the minister, Von Hagen, was accepted in its entirety in the royal decree of August 29, 1769. The regulation of July 9, 1770, combined in compulsory cooperative

societies the noble landowners of each principality of Silesia. The union of these societies formed the *Generallandschaft* of Silesia.

The success obtained by this system was more than satisfactory. The *Generallandschaft* of Silesia has now been in existence for 140 years, and during that time its energy has permitted it to overcome and almost to avoid the difficulties which generally arise in enterprises of this nature where the interests of the State and those of individuals have to be reconciled. It has been able also to obtain for its members sufficient credit, and always at a rate of interest far lower than that paid in countries and districts where this system of cooperation does not yet exist.

Encouraged by these results, several other Provinces soon followed the example of Silesia.

On June 15, 1777, the "Kur- und Neumärkische Landschaft" for the nobility of the Province of Brandenburg was created by royal charter.

Other charters established one in each of the following Provinces: In Pomerania, on March 13, 1781; in West Prussia, on April 19, 1787, and in East Prussia, on February 16, 1788.

In 1821 the *Landschaft* of Posen was founded. It was, however, dissolved in 1877 and the New Association of Credit (founded in 1857) took its place.

These *Landschaften*, to which the title of "old-established" is given to distinguish them from the others, have all a semiofficial character. On the one hand, the inspection of their business is conducted by the State, which generally entrusts it, in the first instance, to the president or perfect of the Province, and, secondly, to the Prussian minister of agriculture. On the other hand, they possess certain prerogatives usually reserved to the State; thus, for example, in case of nonpayment, they have the right to proceed to the administration of the mortgaged lands or to compulsory sale by auction, without recourse to the law courts.

The employees of the *Landschaften* are indirect employees of the State, and generally they have authority to sign certain public documents.

These *Landschaften* have constitutions varying considerably from each other, being adapted to the special needs of their Province or to those of the moment of their foundation. They have, however, this in common, that each has a committee of management and a general assembly of landowners. The syndics—that is to say, the members of the committee of management having legal knowledge—receive pay. The other members of the committee and of the general assembly are landowners, who receive only an annual indemnity corresponding to their traveling and incidental expenses.

Four of the five old-established *Landschaften*, those of Silesia, of Brandenburg, of Pomerania, and of West Prussia, are decentralized. In other words, they are composed each of several cooperative societies or of several almost independent administrative sections. In Silesia each of these cooperative societies disposes of a separate fund, and the engagements undertaken are for this reason covered by a double guaranty, first by the society of the principality and then by the *Landschaft* of the Province.

The 5 *Landschaften* of which we have spoken were formed directly by the State. Of the 10 other societies of this type in Prussia, 9 were formed by the Provinces, and 1 by private initiative. Three *Landschaften*, formed in Hanover before its union with Prussia, differ from the other *Landschaften* in that they do not issue bonds, but obtain directly from capitalists the money which they require to lend to their members.

The societies formed by the Provinces did not enjoy the legal advantages enjoyed by the old-established *Landschaften*. Not till the Prussian law of August 3, 1897, were their legal rights extended. This law also conceded to all the *Landschaften* that should be founded before the 1st of January, 1900, the privileges of forced administration of estates, of forced sales, and even of the seizure of the movable property of the debtor in case of an estate already mortgaged having deteriorated. These privileges had, however, to be conceded by royal decree in each new case.

The same law recognized the bonds of the *Landschaften* as a trustee investment.

When we consider the whole class of *Landschaften* we see that they have in their organization and in the management of their affairs certain features in common. The total number of landlords of a district collectively grant a loan to the proprietor applying for it, the object of the loan being stated in detail in the application. He can not be refused this demand. His land serves as security to the *Landschaft*.

To be quite safe, and not to risk losses, the body of proprietors do not grant loans exceeding a certain percentage of the value of the land, varying with the Provinces and according to the method of fixing the rate of interest. As the body of landlords possess real estate of enormous value, but have seldom large sums of money at their disposal, they have to get from third parties the sums needed for loans to the landowner borrowing. For that they have recourse indirectly to the capitalists, offering them, as investments for their money, bonds issued by the collective group. In order to render the negotiation of this paper easier for the lenders, special banks have been instituted in connection with the *Landschaften* dealing with this business, under the control of the society itself and without any intention of making a profit. The profits go to the *Landschaft* as such. Formerly it was the mortgaged land that served as security under a secondary security of the *Landschaft*. To-day this is no longer the case. The capitalist who has bought the bonds and is the creditor of the borrowing landowner has nothing to do with him. He receives his interest from the *Landschaft* and the whole of the estates of the Province forms his security.

This general security of the "Kreditverbundenen" (credit leagues) was not, however, considered sufficient. To protect the legitimate interests of the creditors as well as those of the other guarantors, a complicated system was elaborated. First, the value of each property in need of a loan had to be estimated by competent employees of the *Landschaft*. Generally they contented themselves with the valuation of the revenue made for the land tax and they granted loans to the extent of fifteen times this net revenue. Only in exceptional cases, for example, when the proprietor wanted to burden his land beyond a certain degree, he must even to-day, at his own expense, get a special valuation made of the present worth of his land.

At first most of the *Landschaften* only gave mortgages for one-half of the estimated value. Now they generally go as far as to give them for two-thirds of the value. Land already burdened with other mortgages can not receive any loan from the society. The *Landschaften*, however, help proprietors when, in order to obtain a loan, they desire to pay off previous mortgages.

Except in the case of the three institutions of Hanover, the loans are not granted in money, but in bonds.

The interest the debtor must pay the Landschaft is generally from one-half to 1 per cent higher than what the Landschaft itself pays its creditors.

This difference serves to cover the expenses of administration, to constitute special funds created in the interest of all the members of the society, as well as for the creation of reserve funds and for the gradual extinction of the debt. The Landschaft generally renounces its right of calling up the money it lends, but the debtor can always repay the money borrowed. Generally this repayment takes place by gradual extinction, which is often even obligatory for a certain proportion of the debt. The sums so repaid must be considered at the same time as reserves in case of possible losses to be incurred.

Nowadays the tendency is to decrease these various guarantees. Perhaps they are no longer necessary. The new Landschaften, for instance, no longer have the general guaranty. In the Mark and in Neuvorpommern the security is limited to the whole of the lands really mortgaged. In other Provinces there are special reserve funds, or rather the obligation for the proprietors to pay in case of need a certain fraction, generally from 5 to 10 per cent, of the sum borrowed. Consequently, we find in these Landschaften the principles sometimes of the cooperative society with unlimited liability and sometimes of the cooperative society with limited liability.

The public accepts the bonds of all these institutes with equal readiness, for the form taken by the security offered does not affect their credit.

The total circulation of bonds issued by the Prussian Landschaften increased from 469,407,530 marks in 1866 to 2,507,164,675 marks in 1906 and 2,742,344,385 marks in 1909. This would seem to represent an astonishing increase of debts on mortgage, but it is difficult to know whether, before the landowners availed themselves of the credit offered on such easy terms by the Landschaften, their properties were already burdened with other debts, perhaps on less favorable conditions, or if their debt is of more recent origin. It is noteworthy also that while the increase of the debt recorded in the Landschaften books has increased fivefold in the 40 years from 1866 to 1906, in the same period the funds for its extinction have increased from 20,512,945 marks to 169,901,635 marks, or in the proportion of 1 to 8. This mode of extinction, besides, was unknown to the old-established Landschaften and was only introduced in the last century. It may, therefore, be expected that this progress will continue.

The rate of interest on the bonds has always been very moderate. Issues at the rate of 5 per cent were only made from 1868 to 1878, a period of trouble and unrest, in spite of abundance of capital. Generally there has been a very marked tendency to follow the conditions of the market and as soon as possible to reduce the interest on the bonds. In 1901 we no longer find bonds at 4½ per cent. Those at 3½, 3, and 3 per cent increase already in 1896 in proportion as those at 4 per cent decrease, though the latter show a further increase in 1901.

The bonds have always been well received on the national market. To open the international market to them in 1873 certain Landschaften, with the authorization of the Government, founded a Central Landschaft for the Prussian Provinces, with its headquarters at Berlin. The Landschaften that now form part of it are allowed to issue provincial bonds and also bonds of the Central Landschaft. In issuing these last, however, they are bound to observe certain rules as to the method of valuing the lands.

The bonds of the Central Landschaft were well received on the exchanges, where they had almost the same standing as the Imperial and Prussian bonds, but, generally speaking, the Central Landschaft had not the success that was expected. That was due, no doubt, to the fact that the societies already had a sufficiently large clientele or that they did not wish to have their liberty of action interfered with. Its issue of bonds up to the end of 1909, amounting to 437,814,250 marks, was rather less than that of the Landschaft of East Prussia alone, which reached the figure of 443,839,850 marks.

2. LANDSCHAFTEN FOR SMALL ESTATES IN PRUSSIA.

Although the Landschaften and Ritterschaften were at first exclusively intended for supplying the needs of the nobles' estates, which were generally of considerable size, some of them have extended their credit facilities to small proprietors and peasants. This was the case with the Landschaften of East Prussia and of Silesia. This latter issues special bonds for peasants' lands.

Others founded separately, with special funds, new Landschaften and new institutes. Most of the new societies, such as those of Westphalia and Posen, were, moreover, from the start meant to represent both classes.

Since these new institutions only wish to serve the farmer, there is always a limit to the minimum value of land that can be mortgaged. This limit corresponds to that amount of land on the produce of which the owner can live. Generally it is required that it produce a net income calculable for the land tax at a minimum from 75 to 150 marks. In Silesia they go below this limit and are content that the land be reckoned as bringing in from 15 to 30 marks.

To make it easier and less complicated for the peasants, instead of their having to go to the central office the Landschaft of East Prussia periodically sends employees of its own into the villages, previously notifying their advent. These employees give all necessary information gratuitously and receive applications for loans. The Landschaften have, generally speaking, also had good results in their work on behalf of the peasants, but there still remains much more to be done in the future.

3. LANDSCHAFTEN IN THE OTHER STATES OF GERMANY.

The example set by Prussia has been followed in some other States. Thus a credit association for the nobles' estates of the two Mecklenburgs was founded in 1818 at Rostock on the model of the old-established Landschaften. On December 13, 1825, the credit association for Württemberg was founded at Stuttgart. It is the only semiofficial institution of the kind to be found in south Germany. Others were subsequently formed in the Kingdom of Saxony and in the Duchy of Brunswick.

Only a few of these institutions possess much importance, and all conform more or less closely to the type of Landschaften already described.

4. PRIVATE INSTITUTIONS OF THE LANDSCHAFTEN TYPE.

Besides the semiofficial Landschaften there are two private institutions of a similar kind.

These are:

1. The National Society of Mortgage Credit, formerly at Stettin, and now in Berlin, founded under rules dated March 3, 1870, and August 11, 1871.

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2. The Bavarian Agricultural Bank, at Munich, founded on December 2, 1896.

Both are, in the eyes of the law, private cooperative societies. The first is a cooperative society in which the liability of the members is unlimited, while in the second their liability is limited.

The Berlin association also grants loans upon town lands. The total number of loans of every kind to the credit of this society in 1907 was 651, for a total sum of 20,367,673 marks (\$4,852,085), which gives an average of 31,268 marks per loan.

The Bavarian bank grants loans to communes and to country landowners. At the date of its foundation it received from the Bavarian State the grant of a loan on favorable conditions of 1,000,000 marks. It is also in enjoyment of another loan, at reduced interest, and a subsidy for the expenses of its management. The total number of loans of every kind outstanding at the end of 1907 was 14,675, amounting to 91,397,893 marks (\$21,773,244).

These two institutions are most important, particularly in presenting a new method, which permits the farmers, and especially the small farmers, to obtain a large share of the advantages given by the Landschaften.

The Bavarian Agricultural Bank, particularly, has had excellent results and under circumstances of some difficulty, if we consider how the land is parceled out in small holdings in south Germany, and especially in Bavaria. Between 1897 and 1907 the Bavarian bank granted 14,583 loans on mortgage to a total amount of 103,367,250 marks. Of these, 287 loans were on mortgage of holders less than 1 hectare in extent, 8,653 between 1 hectare and 10 hectares, 5,605 between 10 hectares and 100 hectares, and 38 over 100 hectares. These figures indicate how well it has been able to adapt itself to the needs of different classes of agriculturists.

CHAPTER V.

COOPERATIVE AGRICULTURAL CREDIT IN AUSTRIA.

In Austria both the Raiffeisen and the Schulze-Delitzsch system have been adopted as means of giving personal credit to the agricultural population. The Raiffeisen banks are, however, in relation to agriculture, much the more important.

Cooperative credit societies began to be formed in Austria about 1850, and they had at first the character of mutual aid societies. Toward 1870 the earliest societies on the Schulze-Delitzsch system were formed, the majority were based on unlimited liability.

At first the cooperative credit societies developed slowly, and up to 1860 only 15 had been formed. After this they began to be formed more rapidly, reaching the number of 943 in 1872. Then again followed a period of slow increase, the number only rising to 1,363 in 1888. At this period, however, the Raiffeisen system began to be promoted, and the cooperative credit societies increased rapidly in number. At the end of 1906 they had reached 7,886; in 1909 they had risen to 10,097, and in 1910 to 10,893.

1. THE RURAL BANKS.

The Raiffeisen banks, first formed in 1866, began to be promoted rapidly in 1889, reaching the number of 7,631 in 1911.

The Raiffeisen banks in Austria being modeled upon those of Germany it is sufficient to remark that each member is required to take a share, which varies in amount from 10 to 20 crowns (a crown is equivalent to \$0.2026 or £0.0416), but the liability of the members is unlimited. At the beginning of November, 1911, the Austrian Government presented to Parliament a bill for modifying the law relating to cooperative societies. The main purpose of this bill is to substitute for the present form of unlimited liability the system of unlimited liability to make supplementary payments. The difference between the two systems consists in the fact that, according to the new proposals the creditor would not be able to have direct recourse, in case of the liquidation of the bank, to any particular member to demand the payment of the sum which remains due to him; it would be the society which would be responsible to the creditor and it would have the right to demand pro rata payments from the members until the creditors were completely satisfied.

The interest paid on the shares is equal to that paid on the savings deposits.

The working capital of the banks is formed by the shares, the savings deposits, and the loans which the banks obtain from the central banks. The Raiffeisen banks have been very successful in attracting savings deposits. In Bohemia alone, the sums deposited by boys and servants occupied in agriculture amounted in 1908 to 5,588,078 crowns.

Many banks required the applicant for a loan to declare the purpose which it is to serve; sometimes it is provided that if a member applies a loan to any other than the declared object, he shall be excluded for a time (or, in case of a second offense, forever) from receiving further loans.

The profits are carried entirely to the reserve fund which, in case of the dissolution of the society, is devoted to some work of public utility.

As in Germany, the Austrian rural banks are affiliated both to central banks, with which they deposit their surplus funds, or from which they obtain loans when required, and to federations, which look after their interests.

The establishment of Raiffeisen banks is greatly encouraged by most of the provincial governments, which make grants of from 200 to 300 crowns for the initial expenses and loans for long periods without interest. In 1909, for example, the Diet of Galicia placed at the disposal of the provincial government a sum of 2,000,000 crowns for the benefit of the cooperative credit societies. Ten years later the Diet established the Provincial Bank for Cooperative Credit Societies at Leopoli, by which the fund is now administered.

The following figures will give an idea of the development of the Raiffeisen banks since 1900:

	1900	1904	1907
Number of banks.....	2,906	4,557	5,880
Number of members.....	261,589	504,589	725,666
Number of loans granted.....	59,531	108,886	
Amount of loans outstanding at the end of the year.....crowns..	122,501,009	258,532,000	428,242,262
Amount of deposits.....do....	155,281,000	335,620,000	556,319,345

\$86,772,253, or £17,829,956.

In 1890 there was one Raiffeisen bank for every 131,294 inhabitants; in 1900, one for every 9,002; in 1902, one for every 6,884; and in 1910 one for every 4,018 inhabitants.

2. THE POPULAR BANKS.

It is not necessary to speak at length of the popular banks, since they have only a minor importance as far as agriculture is concerned. Until the formation of the Raiffeisen banks, the Schulze-Delitzsch banks afforded credit to farmers to a considerable extent, but now the Raiffeisen banks have almost completely taken their place. Even up to now the Schulze-Delitzsch banks make loans for fairly large amounts to farmers known to be of good financial standing; the small loans of a few hundred crowns required by the peasants are made exclusively by the Raiffeisen banks. Only in Bohemia, in Moravia and in Galicia are the Schulze-Delitzsch banks at all numerous amongst the farmers and serve to supply their needs.

At first in the Schulze-Delitzsch banks unlimited liability was the rule, but from 1882 onward this was less and less frequently adopted, and now new banks are founded almost exclusively with limited liability. In 1910 there were 2,674 banks with limited liability and 538 with unlimited liability.

Of 2,323 Schulze-Delitzsch banks which furnished particulars of their working in 1908, the membership was 1,479,047; the share capital, 158,000,000 crowns; the loans granted during the year, 1,757,000,000 crowns (\$356,010,748, or £73,153,183); the loans outstanding at the end of the year, 1,704,000,000 crowns (\$345,271,664, or £70,946,514); the deposits in hand, 1,587,000,000 crowns; the loan capital 234,000,000 crowns; and the reserve funds, 94,000,000 crowns.

CHAPTER VI.

COOPERATIVE AGRICULTURAL CREDIT IN ITALY.

The principal agricultural cooperative credit institutions in Italy are the rural banks and the popular banks. The former are modeled on the Raiffeisen banks and were introduced into Italy by Leone Wollemborg; the latter are modeled on the Schulze-Delitzsch banks, adapted to the special circumstances of Italy by Luigi Luzzatti. The principles upon which these two forms of credit society are based have, therefore, been already described, and we will confine ourselves to indicating how they are organized and how they operate in Italy.

1. THE RURAL BANKS.

Rural banks were first advocated in Italy in 1880, but it was only in 1883 that Wollemborg, after a series of lectures and publications, succeeded in founding the first rural bank at Loreggia, in the Province of Padua, with 30 members. In 1884 other banks were founded at Cambiano di Castelflorentino, at Trebaseleghe, and subsequently in other parts of Venetia. The banks formed by Wollemborg and his associates were unsectarian in character, but from 1892 onward many banks were formed as a result of the propaganda of the Catholic party with a sectarian character. These have steadily increased in number and now form the largest group of rural banks in Italy. In fact, out of 1,800 rural banks, about 1,200 are sectarian. The Catholic banks are found chiefly in Venetia, in Bergamasco, in Emilia, and in Sicily.

While the rules of all the rural banks insist upon honesty and good character as a condition of becoming a member, the Catholic banks insist also upon certain religious observances, or, at any rate, upon respect for religion.

The liability of the members is unlimited. This is found, in Italy as elsewhere, to prevent the misuse of loans by compelling the members to keep an eye upon one another; it also gives the bank the confidence of the public which deposits its savings.

For their sphere of operations the rural banks restrict themselves to a commune, to a portion of a commune, or to a parish.

As a rule the rural banks have no real initial capital. They receive savings deposits from both members and nonmembers (chiefly the latter), on which they pay an interest varying from $3\frac{1}{2}$ to 4 per cent. It is the deposits which furnish the means for making loans, and only in so far as the deposits are insufficient do the rural banks have recourse to other sources of capital. On December 31, 1910, the aggregate amount of the deposits held by rural banks was 60,000,000 francs. (A franc is equivalent to \$0.1920, or £0.0396.) In process of time the banks create a capital of their own, formed of the small payments made by the members upon entrance, or upon taking out their first loan.

The loans, which are generally made on the security of bills, are of two kinds. They are either for short periods, not exceeding 2 years, or for longer periods, extending to as much as 10 years. The first kind are ordinarily renewed every 3 months; the second are repaid by installments. The interest on loans for long periods is slightly higher than the usual rate of interest on loans, which varies between $5\frac{1}{2}$ and 7 per cent. The difference between the interest charged on loans and the interest paid on deposits covers the management expenses and enables a reserve fund to be built up, which, in the event of the dissolution of the society, is devoted to some object of public utility.

The societies enjoy certain exemptions from taxation. Thus their notes, bills, etc., are exempt from taxation for 10 years and until the capital of the bank reaches 30,000 francs.

There are no recent statistics embracing all the rural banks, unsectarian or Catholic, in Italy. The latest official statistics, collected by the minister of agriculture, industry, and commerce, gives the financial position of 1,257 banks out of 1,396 existing on October 31, 1905. This shows that of total liabilities amounting to 46,665,607 francs (\$9,004,450, or £1,850,239), 32,499,462 francs were in respect of deposits, while 4,855,456 francs were in respect of loans on current account and 6,392,654 francs of loans on the security of bills. The loans outstanding were as follows: On bills, 33,464,274 francs; on mortgage, 897,493 francs; on simple note of hand, 369,041 francs; on current account, 5,978,556 francs; total, 40,709,364 francs (\$7,855,152, or £1,614,080).

Since 1906 no official statistics have been published, but the National Federation of Italian Rural Banks, which has its headquarters at Rome, has compiled a list of rural banks and agricultural cooperative credit societies in existence on December 31, 1911, from which it appears that there were then 1,855, of which about one-third were unsectarian and the remainder Catholic.

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Though complete statistics are wanting, there exist partial statistics, compiled by regional or provincial federations, from which we take the following figures:

Name of federation.	Date to which the figures refer.	Number of affiliated rural banks of which particulars are given.	Membership.	Loans outstanding.	Deposits in hand.
Federation of the Rural Banks of the Province of Bologna.....	June 30, 1911	80	6,505	Francs. 2,263,762	Francs. 2,608,945
Federation of the Rural Banks of Romagna.....	Dec. 31, 1910	57	4,723	2,909,040	2,826,671
Federation of the Catholic Economico-Social Associations of the Province of Parma.....	do.....	39	3,771	2,033,892	1,683,000
Economico-Social Federation of the Catholics of the Diocese of Adria.....	do.....	52	3,945	2,595,424	1,795,004

2. THE POPULAR BANKS.

Unlike the rural banks, which carry on their work in country districts and have a restricted area of operations, the popular banks are formed in urban centers and have a large field of operations. In the popular banks, too, the liability of the members is limited.

They preceded the rural banks, but even after the appearance of the latter they continued to be of service to agriculture in various ways. Not only do they lend money directly to farmers, but they make advances at low rates of interest to agricultural syndicates, agricultural cooperative societies, and even to the rural banks.

The popular banks are composed of members belonging to many different classes; large and small farmers, farm laborers, artisans, small shopkeepers, clerks, and professional men. But the larger number of members belong to the lower middle classes; 23 per cent are artisans or small shopkeepers and 22 per cent small farmers. Clerks and professional men form 17 per cent and the percentage of the other classes of members is much smaller than these.

The value of the shares also varies greatly; it ranges from a minimum of 5 francs up to 100 francs, the maximum allowed by the commercial code; the lower values are the more usual.

The paid-up share capital is usually but little less than the subscribed capital, because many banks allow the payment by installments of the shares subscribed.

The banks work in the first place with the capital which comes in spontaneously, the shares and the deposits, and, secondly, with money which they obtain by rediscounting their bills or contracting loans.

As to the deposits, they are of various forms. The humbler classes, not used to business methods, intrust their savings to the banks as savings deposits; the commercial and industrial classes prefer to lodge money on current account and to withdraw it by means of checks; the workmen's unions and mutual-aid societies deposit funds not immediately required for fixed periods and draw good rates of interest. This variety in the deposits contributes to give elasticity to the operations of the popular banks. The interest paid on deposits varies from 3 to 4 per cent.

The Italian popular banks give credit principally in the four following forms: Loans on the security of bills or the discount of bills; loans against the deposit of securities, goods, or valuables; loans on guaranteed current account; and loans for holding over delivery of securities. In order to increase the capital at their disposal they have the greater part of their bills rediscounted by larger institutions. Against this must be set, however, the bills which they themselves rediscount for other smaller popular banks and for rural banks.

The rate of interest on loans is usually from 4 to 6 per cent. Sometimes it is less than 4 per cent, and there are cases in which it is as much as 7 or 8 per cent.

The latest official statistics of the popular banks relate to the 10 years from 1899-1908. From these we find that in 1908 there were 736 popular banks; of these 690, which furnished the particulars of their working, had a paid-up capital of 98,310,108 francs and reserve funds amounting to 57,354,279 francs. The total deposits in hand at the end of the year were 971,167,644 francs and the capital obtained from outside sources (other banks and private capitalists, etc.), 230,152,110 francs. This gives a total working capital of 1,356,984,141 francs (\$261,839,430, or £53,802,887). The loans outstanding at the end of the year amounted to 881,502,350 francs (\$170,091,946, or £34,950,572) and the profits during the year to 13,679,929 francs.

CHAPTER VII.

COOPERATIVE AGRICULTURAL CREDIT IN FRANCE.

The first experiments in agricultural credit in France date back to the middle of the past century, but its real development only begins after the promulgation in 1884 of the law on professional syndicates.

In 1894 the law which instituted local agricultural mutual credit banks gave a powerful impetus to agricultural credit, and in 1899 the law on regional banks, which authorized the giving of State aid, consolidated agricultural credit in France into an organic system which to-day spreads over the whole country.

The characteristics of this system are the following: Decentralization, mutuality, organization according to occupation, and State aid. Its object consists, in the first place, in supplying farmers with the means necessary for carrying on the ordinary agricultural operations by means of loans for short periods; in the second place to facilitate cooperative societies and individual farmers in carrying on operations extending over long periods.

Besides the cooperative credit encouraged by the State there exist also various minor groups of cooperative institutions which have wished

to remain entirely independent and which rely solely on their own resources.

1. STATE-AIDED COOPERATIVE CREDIT.

The fundamental laws which regulate the State-aided system of agricultural cooperative credit are those of November 5, 1894, and of March 31, 1899.

The former instituted the local mutual agricultural credit bank; the latter the regional bank, which groups together the local banks of a given district, either the region, the department, or a special area determined by its agricultural characteristics.

The State has placed at the disposal of the regional banks, in order that they may in their turn finance the local banks, considerable sums, which the Bank of France is bound to pay to them as a condition of the renewal of its privileges. The law of November 17, 1897, in fact, laid it down that the Bank of France must advance to the State, without interest, for the whole period of its concession (that is, to the end of 1920), a loan of 40,000,000 francs, and that it must also make an annual payment (calculated according to the business done) which must not be less than 2,000,000 francs, and is, in fact, between 3,000,000 and 5,000,000 francs. These sums form the State fund, out of which the agricultural credit system is aided.

(a) The local banks.—The local banks may be composed either of the whole or of a part of the members of one or more agricultural syndicates, or of the members of one or more mutual agricultural insurance societies. The object of this provision is to strengthen their characteristic of mutuality and solidarity and to facilitate mutual acquaintance and confidence amongst the persons composing the credit society.

The objects of a local credit society are to facilitate or to guarantee the operations either of the societies mentioned or of the members.

The local banks have a restricted area of operations, limited to the commune, the canton, or the village. The formalities of registration are reduced to a minimum, and they are exempted from certain taxes.

Their initial capital is formed by shares ("quotes-parts"), subscribed exclusively by the members; it is sufficient if one-fourth is paid up. The shares, which are generally of the value of 20 or 40 francs each, do not give any right to dividend, but bear a fixed rate of interest which must not exceed 4 per cent. The societies can receive deposits with or without interest.

As to the liability of the members, the law allows the utmost latitude to the societies to decide its character and extent by their rules, according to local conditions. In the majority of cases the societies have decided that their members shall be liable up to the amount of the shares subscribed. Some have fixed upon a wider liability, either unlimited liability of all the members, such as is found in the Raiffeisen banks, or unlimited liability of a certain number of members (for example, the members of the committee of management), or a liability extending to two, three, or four times the nominal value of the shares of each member. Amongst the promoters of these societies, however, there is now manifest a tendency to adopt unlimited liability as the best safeguard for healthy cooperation.

The society is managed by a council and by a committee, which generally comprises a president, a vice president, and a secretary. As soon as it is established it becomes affiliated to the regional bank of the department. To do this it must subscribe for a certain number of shares in the regional bank. It is then admitted to partake in the credit facilities afforded by the regional bank, which discounts its bills or grants loans to it to form its working capital.

In the first case, when a member applies for a loan from the local bank it requires him to sign a bill, which is then sent to be discounted to the regional bank, which immediately forwards the amount applied for, less the discount. In the second case, the regional bank grants to the local bank a loan which is usually proportionate to the amount of the shares subscribed. The local bank, when it does not immediately require the money so obtained, deposits it with the savings bank and withdraws from time to time such sums as may be necessary.

The first system, which is simpler and allows of a greater measure of control by the regional bank over the affiliated societies, is adopted in the great majority of cases. Thus, for example, in 1910 the regional banks discounted bills to the amount of 67,000,000 francs and only granted loans of 1,250,000 francs.

The rate of interest on the loans must naturally be higher than the discount required by the regional banks. The latter being 3 per cent, the greater interest demanded by the local banks does not usually exceed 4 per cent. The margin of 1 per cent serves for the payment of the expenses of management and for the formation of the reserve fund.

As to the size of the loans, in some societies the sums which may be advanced to members are proportionate to the shares which they have subscribed, and may be ten, fifteen, or twenty times their amount. In other societies it is laid down that the loan shall not exceed a fixed sum, 1,000 or 2,000 francs, according to the kind of cultivation prevailing and to the solvency of the applicant.

There are different kinds of guarantee, varying according to circumstances. Certain banks insist in every case upon a surety or a "warrant" or upon the deposit of securities. Others only require such guarantees when the loan is of a certain amount. If the object of the loan is the purchase of live stock, the animals must always be insured.

The period of the loans varies, according to the nature of the operations to be undertaken, from three months to a year. The period of the bills varies according to the period of the loan and according to the system adopted by the regional bank to which the local bank is affiliated. Many regional banks only allow bills of three months, with two, three, or four renewals; others allow bills for a period equal to that of the loan. In the case of renewals an installment is almost always required.

At least three-fourths of the profits of the society are allocated to the formation of a reserve fund until that fund is equal to half the paid-up-share capital. The balance, if the general meeting so decide, may be divided amongst the individual members in proportion to their dealings with the society.

When a society is dissolved, the reserve fund and other assets are divided amongst the members in proportion to their shares unless, as is generally the case, the rules have provided for their application to some work beneficial to agriculture.

The local banks have spread rapidly since 1900, as the following figures indicate:

Year.	Number of local banks.	Membership of local banks.
1901.....	309	7,998
1905.....	1,335	61,874
1910.....	3,338	151,621

The following figures give an idea of the business done by the local banks in recent years:

	1909	1910	Increase.
Number of local banks.....	2,983	3,338	355
Membership.....	133,382	151,621	18,239
Subscribed capital.....	13,111,206	14,210,598	1,099,392
Paid-up capital.....	8,470,754	9,916,611	1,455,857
New loans granted during the year (exclusive of renewals).....	63,742,093	170,533,340	6,791,247
Loans outstanding at the end of the previous year.....	40,126,197	42,671,323	2,545,126
Total.....	103,868,290	113,204,663	9,336,373
Repayments received.....	60,889,309	61,388,806	499,497
Loans outstanding on Dec. 31.....	42,978,981	251,815,857	8,836,876

¹ \$13,609,893, or £2,796,567.

² \$9,998,226, or £2,054,440.

The official reports do not indicate the capital of the local banks separately, nor the business done by them, but limit themselves to giving such particulars for the groups of local societies affiliated to each central bank. From these data, however, it is evident that the capital of the local banks is not very large, and the same may be said of their reserve funds. The statistics give no information regarding the deposits, but it may be assumed that they, too, are not very large in amount.

The interest paid on the shares varies from 2 to 5 per cent; the rate of discount from 3 to 5 per cent.

(b) The regional banks.—The agricultural credit banks of the second degree, called regional banks, are regulated by the law of March 31, 1899. They receive from the State, out of the funds furnished by the Bank of France, loans without interest, up to the amount four times their paid-up capital, for a period of five years, subject to renewal. If, for example, there are in a department 10 local banks which have each subscribed 10,000 francs, their shares form an initial capital of 100,000 francs for the regional bank; the Government will then make an advance of 400,000 francs.

A special committee, nominated by the minister of agriculture, distributes such sums amongst the regional banks, and a body of inspectors supervises their working.

The regional banks are based upon the same principles as the local banks, and they enjoy the same privileges. They are composed of local banks and of individual farmers, but two-thirds of the shares are reserved by preference to the former. The local banks usually pay up their shares in full; the individual members as a rule only pay up one-fourth. Each member is liable up to the amount of the shares subscribed. The committee of management of a regional bank is elected from the representatives of the local banks.

The law limits the interest on the shares to a maximum of 5 per cent and fixes the maximum of the deposits which the regional banks can receive and the bonds which they may issue at three-fourths of the amount of the securities which they hold.

The regional banks can, moreover, have their bills rediscounted by the Bank of France or other credit institutions.

The profits are carried to the reserve fund, which serves, in due course, to repay the State loans.

To the primary object of the regional banks have in recent years been added others, namely, the making of loans to cooperative societies for the production and sale of agricultural produce and of loans to individual farmers for the acquisition and improvement of small holdings. For these purposes special advances are made by the State to the regional banks out of the fund provided by the Bank of France.

The number of regional banks has increased from 9 in 1901 to 66 in 1905 and 96 in 1910.

The State has placed at the disposal of the regional banks in the period 1900–1910 the following sums:

	Francs.
1900.....	612,250
1901.....	2,611,210
1902.....	1,304,337
1903.....	1,858,262
1904.....	5,437,969
1905.....	5,430,301
1906.....	3,717,530
1907.....	5,800,157
1908.....	8,750,717
1910.....	9,825,260
1911.....	11,386,815

On December 31, 1910, the regional banks had at their disposal State loans to the amount of 57,177,425 francs, of which 50,442,585 had been advanced to them for the purpose of financing the local banks. Sixty-seven of the regional banks received advances not exceeding 250,000 francs; 33 sums varying between 250,000 francs and 1,000,000 francs and 15 sums between 1,000,000 francs and 4,000,000 francs.

The working capital at the disposal of the regional banks in 1910 for the financing of local banks was 71,423,930 francs (as compared with 61,823,926 francs in 1909) and may be thus classified:

	Francs.
Paid-up capital-----	15,912,801
Reserve funds-----	2,868,544
State advances-----	40,442,587
Mean amount of deposits-----	2,200,000
Total-----	71,423,930

The subscribed capital amounted in the aggregate in 1910 to the sum of 17,493,225 francs. Of this sum about two-thirds is represented by the shares subscribed by the local banks. In the separate banks the paid-up capital ranged from a minimum of 7,175 francs to a maximum of 1,021,400 francs; about half have a paid-up capital of less than 100,000 francs.

The interest paid upon the shares varies from 3 to 4 per cent.

The aggregate amount of deposits received by the regional banks up to December 31, 1910, was 16,500,000 francs, the average amount of the deposits in hand being about 2,200,000.

The discounts and loans made in 1910 by the regional banks, in accordance with the law of 1889, including renewals, reached the sum of 130,865,263 francs, as compared with 123,222,174 francs in 1909. The majority of the regional banks (55) have adopted a rate of discount of 3 per cent.

The general expenses amount to 0.32 per cent of the loans.

Without taking into account the renewals, the following figures show the loans made by the regional banks, etc., in 1910, as compared with 1909:

	1910	1909
	Francs.	Francs.
Direct loans for working capital.....	1,251,220	1,148,180
Loans in the form of discounts of new bills.....	66,957,353	61,262,856
Loans outstanding at the end of the previous year.....	40,971,508	38,022,643
Total.....	109,180,081	100,765,679
Repayments received during the year.....	59,887,572	59,502,992
Loans outstanding at the end of the year.....	49,292,509	41,262,683

¹ £285,611, or £58,687. ² \$11,821,090, or £2,429,003. ³ \$7,961,919, or £1,636,019.

If to the loans for short periods are added those for long periods advanced to cooperative societies and individual farmers, we have the following figures:

	Francs.
Loans for short periods-----	109,180,081
Loans to cooperative societies-----	2,284,265
Loans for long periods to individuals-----	864,190

Total (\$21,674,564, or £4,453,699)----- 112,328,536

To the end of 1910, 131 cooperative societies had received 4,405,840 francs in loans at rates of interest varying from 1 to 2 per cent.

(c) General results.—The general results achieved in the first decade in which the system of State-aided agricultural credit has been in force are most satisfactory. The local banks are constantly increasing and respond ever better to the new needs of agriculture. In the period from 1900 to 1910 they have placed about 384,000,000 francs at the disposal of farmers; the 2,000,000 francs advanced in 1900 have risen to 70,000,000 francs in 1910.

It is noted, however, that many regional banks, trusting too much to State aid, are not sufficiently careful to make the quinquennial repayments of the loans advanced by the State, and neglect to form resources of their own, other than the sums carried automatically to the reserve, by making efforts to attract deposits. The remark also applies to some of the local banks. In view of this, closer Government supervision is recommended, and meanwhile the ministry of agriculture has reorganized and strengthened the service of inspection.

2. INDEPENDENT COOPERATIVE AGRICULTURAL CREDIT.

We have seen that, besides the State-aided cooperative credit banks, there exist cooperative credit institutions which have wished to remain independent of any financial aid from the State. Let us examine briefly the character and results of the principal groups of these societies:

(a) Rural banks of the Raiffeisen-Durand type.—The rural banks promoted by Louis Durand are modeled on the pure Raiffeisen type, and are markedly catholic in character. Their members take no shares and receive no dividend. For their working capital they avail themselves of deposits, loans from members and others, and the accumulated profits which form the reserve. When the reserve fund reaches a fourth of the capital deemed necessary for the working of the society, the rate of interest on loans is reduced to a figure just sufficient to cover the general expenses.

Loans are only granted to members, who are usually small proprietors or tenant farmers, for a definite purpose. They are granted on personal security or on mortgage, often for rather long periods, with repayment by annual installments, at a rate of interest varying from $\frac{3}{4}$ to $\frac{4}{5}$ per cent. The interest paid on deposits varies from $\frac{2}{5}$ to $\frac{3}{4}$ per cent. The members are liable to the full extent of their possessions for the debts of the bank.

The rural banks have adopted the commune as their sphere of operations, and are combined in regional or diocesan groups, called central banks, which, besides acting as propagandist and supervising bodies, receive the surplus capital of the richer banks and pass it on to those which have need of it. The rural banks are also affiliated to a central federation, the Central Union of Rural and Workmen's Banks with Unlimited Liability, with headquarters originally at Lyon, but now at Paris.

In 1893 the number of the Durand banks was 17; in 1905 it had risen to 443. The statistics for 1910 give their number as 672, but the Union states that this does not include all the existing banks.

The 672 banks of which particulars are given contained 28,279 members, did a total business (incomings and outgoings) of 19,241,963 francs, collected 11,300,450 francs in deposits, and granted 9,396 loans; their total assets amounted to 12,569,915 francs and their profits to 49,124 francs. The business of the banks is based almost entirely upon deposits; they obtained only a small sum (935,000 francs) from the central banks.

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(b) Mutual banks of the Rostand type.—With the idea of directing local savings to local work, Eugène Rostand urged the Savings Bank of the Bank of Rhone, of which he was president, to establish local mutual banks and to finance them with loans. The law of 1895, which authorized the savings banks to allocate part of their funds to agricultural credit, permitted the bank to advance 20,000 francs to the local banks by way of loans.

In the period from 1894 to 1909 there were thus created 22 banks. The Savings Bank of Marseille granted them in 1909 loans to the amount of 45,000 francs. From 1901 to 1909 the Rostand banks had distributed 1,142,663 francs to farmers.

(c) Other cooperative agricultural credit societies. Amongst the cooperative credit institutions which have risen through private initiative we may mention the cooperative credit banks of the Alpes-Maritimes, promoted by Rayneri, and the Popular Bank of Mentone. These follow the unlimited-liability system, and are to-day combined in the Regional Bank of Mentone.

There also exist some isolated credit institutions which act in complete independence, such as the Mutual Credit Society of Senlis (Oise), which granted loans in 1908 to the amount of 438,888 francs, and the Agricultural Bank, founded in 1898, at Boulogne-sur-Mer, which up to 1909 has discounted bills to the value of 1,734,000 francs.

(d) The urban popular banks and agricultural credit.—In France there are some popular banks of the Schulze-Delitzsch-Luzzatti type. They are fairly numerous in the south, and are combined in the Federal Centre of Popular Credit managed by M. Rayneri. Although primarily intended for the industrial and commercial middle classes, they encourage agricultural credit in a variety of ways. Of late a new tendency has manifested itself to bring about closer relations between the urban and rural cooperative credit institutions.

CHAPTER VIII.

COOPERATIVE AGRICULTURAL CREDIT IN BELGIUM.

Not many years ago the Belgian farmers in general, and more particularly the small farmers, were absolutely without any credit institutions to which they could have recourse to obtain capital on equitable terms. In 1884, however, a law was passed with the object of providing them with credit facilities.

Under this law the General Savings Bank was authorized to employ a part of its funds in making loans to farmers and to agricultural cooperative credit societies. The loans to farmers were to be made through the medium of a special kind of association known as "comptoirs," which we shall describe later. The results of this law were, however, disappointing. A few "comptoirs" were formed, but very little use was made of the credit facilities which the law provided.

1. THE RURAL BANKS.

It was generally felt, therefore, that a better system of agricultural credit was required, and the Abbé Mellaerts set himself to adapt the Raiffeisen system to local circumstances and to the requirements of the Belgian laws. As the law stood the rural banks were obliged to take the form of cooperative societies, since it was requisite that they should have the power of admitting new members and of varying the capital without the legal formalities with which commercial companies were obliged to comply. But, contrary to the strict Raiffeisen principles, the law dealing with cooperative societies did not allow such societies to dispense with foundation capital nor to make their reserve funds indivisible. In order not to depart too far from the Raiffeisen model, the Abbé Mellaerts decided that the shares should be very small (2 francs); that the dividend payable on the shares should not exceed the rate of interest charged on loans; and that there should be two reserve funds, the "real reserve," composed of the share payments and entrance fees, and the "conditional reserve," to which the net profits should be placed. The "real reserve" should serve to pay possible losses, and in the event of the dissolution of the society any sum still standing to this reserve should be distributed amongst the members. The "conditional reserve," on the other hand, should be returned, in case of dissolution, to the central bank from which the society had borrowed its working capital.

Except for these slight modifications, the rural banks in Belgium follow closely the Raiffeisen system.

Notwithstanding the difficulties and prejudices which had to be overcome, the rural banks spread rapidly over the country. The first was formed by the Abbé Mellaerts at Rillaer in 1892, and in 18 years no less than 643 banks were established.

The following figures relate to the year 1909:

Number of banks furnishing information-----	458
Membership-----	25,762
Paid-up share capital-----	72,071
Loans granted in 1909 (\$803,262, or £165,055)-----	4,162,911
Loans outstanding on Dec. 31, 1909 (\$2,110,292, or £433,624)-----	10,936,597
Deposits received in 1909-----	9,742,693
Total working capital, including deposits in hand Dec. 31, 1909-----	22,020,786
Reserve fund-----	440,707

2. THE CENTRAL BANK.

All the rural banks in Belgium are affiliated to regional central banks, which are cooperative societies with limited liability. Only recognized local banks and the persons who are intrusted with the management can become members of the central banks. The latter are nominated by the general meetings.

Each member subscribes for one share of the value of 100 francs and is liable up to the amount of 1,000 francs. The dividend on the shares is fixed at 3 per cent and the balance of the profits is carried to the reserve.

The central banks in Belgium, besides accepting deposits from and making loans to local banks, supervise their management and inspect their accounts. They not only make loans directly to the local banks, but guarantee loans made to them by the General Savings Bank, which, in conformity with the law of 1894, set aside a sum of 1,000,000 francs to be lent at $\frac{3}{4}$ per cent interest to rural banks affiliated to a central bank and guaranteed by it. The General Savings Bank has also agreed to accept on deposit from the central banks at 3 per cent interest the sums which they are not able to employ in lending to the local banks.

Where a central bank guarantees a loan made to a local bank, the General Savings Bank allows it a commission equal to one-twelfth of the interest charged.

There are seven central banks in Belgium, the most important of which is that of Louvain, known as the "Boerenbond." In 1910, out of the 643 Raiffeisen banks in Belgium, 304 were affiliated to the Boer-

enhond. For several years past the Boerenbond has been practically independent of the assistance of the General Savings Bank, having received sufficient deposits to enable it to grant all the loans applied for by the local banks. In 1910 it granted loans to the total amount of 225,000 francs.

Recently, with the object of extending its utility and to find a safe investment for its capital, the Boerenbond has organized a system of land-improvement credit.

S. THE "COMPTOIRS AGRICOLES" AND THE POPULAR BANKS.

As we have already indicated, the rural banks are not the only institutions in Belgium which provide credit facilities for agriculturists, the "comptoirs agricoles," formed in virtue of the law of 1884, having the same object. The "comptoirs agricoles" are small corporate bodies, consisting of at least four persons, which guarantee the loans granted to individual farmers by the General Savings Bank, receiving a small fraction of the interest as commission.

From 1884 to 1909 only 16 "comptoirs" were formed in the whole of Belgium. On December 31 of the latter year there were 3,605 loans outstanding guaranteed by the "comptoirs," 684 of which had been granted in 1909. Only 104 of these 684 loans were less than 1,000 francs in amount, so that it is clear that the "comptoirs" serve rather the large farmers than the small holders. The "comptoirs," in fact, do not care to guarantee small loans, as they do not find such business sufficiently remunerative. It is, too, less hazardous to make loans to large farmers who own their land than to small farmers who can not furnish adequate security.

Not the least difficulty in the way of forming "comptoirs" is that of finding men who, for such a slender return, are willing to undertake the liability of acting as sureties.

Another form of agricultural credit to be met with in Belgium is the popular bank of the Schulze-Delitzsch type. In the whole country, however, there are only two such banks, which are mainly concerned with agricultural credit—those of Goe-Limbourg and Argenteau. In 1909 these two banks granted 40 loans of the total value of 50,436 francs.

CHAPTER IX.

COOPERATIVE AGRICULTURAL CREDIT IN GREAT BRITAIN AND IRELAND.

In Great Britain the number of agricultural cooperative credit societies which has been formed is comparatively small, but in Ireland such societies are more numerous.

Cooperative credit was introduced into Ireland by the Irish Agricultural Organization Society, aided by grants from the Congested Districts Board for Ireland and, subsequently, from the Department of Agriculture and Technical Instruction for Ireland.

In England and Wales credit societies were promoted first by the Agricultural Banks' Association and afterwards by the Agricultural Organization Society. The latter in recent years has received grants from the board of agriculture and from the development commissioners.

With few exceptions the form of society adopted has borne a close resemblance to the Raiffeisen banks of Germany. The area of operations is limited to a parish or to two or three adjoining parishes. The members are elected by the committee. Loans are only given to members and for reproductive purposes approved by the committee. There are no shares, but the liability of the members is unlimited. Each member pays a small entrance fee.

In some cases "guarantee members" have been admitted whose liability is limited to a specified sum, but this practice is rare.

A small number of agricultural credit societies in which the liability of the members is limited has been formed in Ireland, but the societies of this kind do not seem likely to increase.

In Ireland the credit societies have obtained working capital from the following sources:

1. Deposits of members.
2. Advances from local landowners or other persons interested in the well-being of the farmers.
3. Advances from the Congested Districts Board for Ireland and the Department of Agriculture and Technical Instruction for Ireland.
4. Loans from the ordinary joint-stock banks.

The last named is now the most important source of capital. Nearly all the large Irish banking companies have recognized that the co-operative credit societies can serve as auxiliaries to them, doing business with a clientele which the large banks can not reach without their intervention. They have, accordingly, consented to advance money to the credit societies at moderate rates of interest.

Proposals have been made for establishing a central bank in Ireland, but the need is not a pressing one.

In England and Wales greater difficulties have been experienced in obtaining working capital. The large banking companies have not recognized the credit societies, and no Government department has made advances of money to them. The Central Cooperative Agricultural Bank (Ltd.) has been formed to assist the societies in finding capital. This is a cooperative society, with limited liability, containing both individual members and society members. Before obtaining advances from the central bank a credit society must take at least five shares of the value of £1 each. The central bank also receives deposits from societies which have surplus capital not immediately required for lending to members. As yet the transactions of the central bank have been on a very small scale.

The rate of interest charged by credit societies to their members is usually in the neighborhood of 6 per cent. Sometimes they are able to lend at lower rates than this, but in Ireland the Irish Agricultural Organization Society urges the credit societies to charge even more than 6 per cent in order quickly to build up a reserve fund.

The following are the latest available statistics of the agricultural credit societies (1) in Ireland and (2) in England and Wales:

TABLE I.—Statistics of agricultural cooperative credit societies in Ireland in 1909.

Number of societies	234
Membership (26 societies failed to furnish returns of membership)	18,422
Loan capital	£32,780
Deposits	£23,688
Total capital	£56,469
Amount of loans granted (48 societies failed to furnish returns of loans granted. These include societies which had either not commenced working or had not yet worked for 12 months (and so had not yet had an annual audit) on Dec. 31, 1909)	£57,640
Number of loans granted	9,213
Loans outstanding	£55,292
Expenses	£593
Net profit	£554
Reserve fund	£3,559

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TABLE II.—Statistics of agricultural cooperative credit societies in England and Wales in 1910.

Number of societies (of these societies, 9 either furnished no returns or reported that they had as yet done no business. The remaining figures relate to 31 societies)	40
Membership	663
Loan capital	£1,028
Deposits	£548
Amount of loans granted	£1,390
Number of loans granted	119
Loans outstanding	£1,421
Expenses	£34
Net profit	£64
Reserve fund	£270

CHAPTER X.

COOPERATIVE AGRICULTURAL CREDIT IN BRITISH INDIA.

In British India the promotion of cooperative credit, both rural and urban, has been undertaken directly by the State. The cooperative credit societies act, passed in 1904, authorized the appointment by the various provincial governments of officials known as registrars of cooperative credit societies, with wide powers for the promotion and supervision of credit societies.

For the "rural" societies, defined as societies in which not less than four-fifths of the members are agriculturists, the broad lines laid down are those of the Raiffeisen system, but considerable latitude is allowed.

Save with the special sanction of the provincial government, the liability of the members of "rural societies" must be unlimited. All profits must be carried to the reserve fund until it has reached a certain proportion of the total liabilities and until the rates of interest on loans have been reduced below a certain percentage.

In practice the great majority of the rural societies are societies with unlimited liability, but some societies with limited liability have been formed. Even where the liability is unlimited, members are usually required to take shares besides paying an entrance fee. Loans are almost always for reproductive purposes, but loans for other purposes are occasionally allowed.

The progress made since the passing of the act of 1904 has been rapid. On June 30, 1910, there were in India 3,145 rural societies, 321 urban societies, and 32 "central" societies.

The so-called "central" societies, of which the object is to provide capital for the local societies (rural and urban), show great diversity of character. In some cases they are strictly federal, consisting solely of affiliated local societies. In such central societies the liability of the society members is usually limited to a certain multiple of the shares which they have taken up in the central society. A type of central society also exists in which the liability of the society members is unlimited.

Other central societies contain both individual members and affiliated societies, while yet others contain only individual members.

The following tables contain the principal statistics for 1909-10 of the rural and central societies:

TABLE I.—Number, membership, loans granted, etc., 1909-10.

	Rural societies.	Central societies.
Number of societies at end of the year	3,145	32
Membership at end of the year	165,560	3,740
	<i>Rupees.</i> ¹	<i>Rupees.</i>
Amount of loans granted to members during the year	25,434,457	190,902
Amount of loans granted to other societies during the year	201,606	1,469,750
Amount of loans to members outstanding at end of the year	5,991,865	295,601
Amount of loans to other societies outstanding at end of the year	170,106	1,973,422
Net profit during the year	274,368	52,939

¹ A rupee is equivalent to \$0.324, or £0.66.

² \$1,761,676, or £362,297.

TABLE II.—Sources of capital, June 30, 1910.

	Rural societies.	Central societies.
	<i>Rupees.</i>	<i>Rupees.</i>
Loans from nonmembers	1,082,697	889,226
Loans from other societies	2,787,798	85,797
Loans from Government	596,194	60,374
Share capital	923,677	445,448
Deposits by members	977,236	829,892
Reserve fund	205,446	11,373

The latter table is interesting as showing to what a large extent the societies have become independent of advances from Government in finding the necessary working capital. It will be remarked that for the rural societies the principal source of capital is "other societies"—that is, not only central societies, but urban societies and other rural societies. The money provided by the members themselves in shares or in deposits also forms a considerable percentage of the working capital, and the societies have been able to obtain money largely from the general public.

In the case of the central societies it is not possible to distinguish between the capital provided (as shares or as deposits) by individual members and society members, but a large proportion of the capital is provided by the two classes of members together, and another large proportion is obtained from the general public. The amount which the central societies have obtained from the Government is comparatively trifling.

Thus, while the initiative in forming societies has been taken by the Government, the societies are very far from being dependent upon the Government for the working capital which they require.

CONCLUSION.

In the foregoing chapters we have seen that in different countries and in different circumstances cooperative agricultural credit has developed along different lines.

In no respect are the differences more remarkable than in the source of the capital. In Germany the *Landschaften* obtain the capital they require from the investing public by the issue of bonds. The *Raiffeisen* banks, too, are almost independent of advances from the State; they find nearly all their working capital in the deposits of members and others and in the loans which they obtain from their central banks and from other banking institutions. In France, on the other hand, it is the State which finds the bulk of the capital for the cooperative banks.

Great variations, too, may be remarked in the liability of the members. While the principle of mutual responsibility is always carried out to a greater or less extent, the liability of the members ranges from the unlimited liability of pure *Raiffeisenism* to a liability limited to the nominal value of the shares. It seems, however, that unlimited liability, or a near approach thereto, is found by experience to be the soundest basis of cooperative credit, especially where the borrowers are small cultivators.

Again the methods of granting loans and the security demanded vary greatly. The effort to reduce risk of loss is everywhere apparent, but there is a tendency to relax precautions which prevent the system from being elastic. This can, it is clear, be most safely done when the uses of credit are better understood. Where stop-gap borrowing has been prevalent, for instance, credit societies must naturally insist upon the borrower binding himself to apply his loan to a reproductive purpose. In time, however, the credit societies themselves so far educate their members that they only borrow money for investment as capital in their business, and more elastic forms of loan, such as loans on current account, become more usual.

In introducing cooperative credit into any country or agricultural district where it has not been previously practiced it is necessary to take the social and economic conditions into account. It must be inquired: Who are the persons for whom the credit facilities are intended? Are they large farmers or small cultivators? Are they proprietors of the lands they cultivate or only tenants? Are they all approximately upon the same social and financial level or are there wide differences between them? Do they require the loans for long periods for making permanent improvements or for short periods for use as working capital? Are they accustomed to borrowing for reproductive purposes or have they borrowed chiefly for stop-gap purposes? Are they already heavily indebted?

Upon the answers to these questions will depend, to a large extent, the form of cooperative credit to be adopted. The most important consideration is whether the capital is required by landowners for improving their property or by farmers to carry on the ordinary operations of cultivation. In the former case the German *Landschaften* furnish a model which should not be difficult to adapt to the circumstances of any other country. In the latter case the *Raiffeisen* system, or some modification of it, is generally the best, but in advanced economic conditions a modification of the less paternal *Schulze-Delitzsch* system might, perhaps, be adopted with advantage.

It is also important to inquire whether the persons for whom it is desired to provide credit facilities are approximately on the same social and financial level or if there are wide differences between them. It can not be expected, for example, that large farmers will generally be willing to join with small farmers in a society where the liability of the members is unlimited. Where there are great differences of financial status, some limitation of the liability must be adopted in order that it may not press too heavily upon the more well-to-do members.

To attract deposits, the best and most elastic source of capital, a credit society must be founded on a basis which will inspire public confidence and make the risk of a general withdrawal of deposits almost negligible. In large societies it may be possible to keep a considerable proportion of liquid assets, but, speaking generally, the funds of a credit society must, for the most part, be employed in making loans to members on terms which do not admit of their being readily realized. Where credit societies are numerous and are combined together to form central banks a greater elasticity is obtained in this respect.

The security which suffices to attract deposits usually suffices also to enable a credit society to obtain advances from banking institutions or capitalists. In availing itself of this source of working capital a credit society must so conduct its business as to be able to repay the money when it becomes due. It can not, for instance, borrow money for one year and lend it out for two. This, however, is a question of common sense in doing business which does not affect the form of organization.

We conclude this brief study of agricultural cooperative credit with the warning that the systems which we have described have been devised with the object of bringing credit facilities, such as exist in advanced commercial communities, within the reach of persons who individually were not able to obtain them. It is not to be supposed that the adoption of any such system will appreciably diminish the rate of interest at which a person can borrow money who can offer substantial security and has direct access to banks or capitalists.

The following letter from Mr. Louis Dop, vice president of the International Institute of Agriculture, and delegate of France, was read:

"The organization of agricultural credit, whatever be the system adopted, implies the recognition of certain fundamental principles. In fact, the various systems which may be adopted are but the result of the application of these fundamental principles. Therefore a clear explanation and right understanding of these principles is essential to success.

"I would draw Mr. Lubin's special attention to this point as the American people should clearly understand that the solution they will give to the problem of agricultural credit will depend on the nature of the principles from which they start.

"Granted this premise I deem it essential for all who wish to work in the field of agricultural credit to define clearly the distinctive characteristics of this kind of credit.

"The distinctive feature of agricultural credit may be treated under three heads.

"First, the juridical; second, the economic; third, the social.

"If due consideration be given to these three aspects of the question, the United States will be able to solve the problem of agricultural credit for the American people in the most satisfactory manner.

"First, let us first examine the question from the juridical standpoint. In all countries agricultural credit is classified, from a juridical point of view, according to the nature of the security offered. Until recently most writers and economists who made a special study of agricultural credit, defined it, from a juridical standpoint, as personal credit, i. e., credit granted on personal security guaranteed by movable property.

"This was the generally recognized definition of agricultural credit. But this definition, which I believe a mistaken one, has been almost

set aside as the result of the several studies which I have published on this question. Thus, in 1897 I published a study on agricultural credit, in which I pointed out that it was inaccurate to limit the definition of agricultural credit to those transactions which embraced exclusively personal credit, made on the security of crops, implements, etc.; in short, on the security of the personal estate of the farmer.

"In 1901, when I published my chief work on agricultural credit, I again studied this juridical aspect of the question, and I think I proved what is now accepted as a fact by all modern jurists, that agricultural credit embraces not only personal credit but all credit transactions made for the purpose of carrying out agricultural improvements, whether these improvements refer to movable property, such as machinery, implements, live stock, crops, or whether they refer to the amelioration of the estate itself, of the land, which is the primary source of all production.

"Thus, in my opinion, agricultural credit embraces not only personal credit, but also real estate credit. That is to say, agricultural credit is credit granted not only on the security of crops, implements, machinery; in short, on all forms of personal security, but also credit granted on the security of the land itself. In short, agricultural credit, juridically defined, extends to all credit transaction which aim at the improvement of the farm.

"Mr. LUNN. Then you refer to mortgage credit?

"Mr. DOP. No; not specifically. A distinction used formerly to be drawn between mortgage, or land credit, and personal agricultural credit. I maintain that even mortgage credit, which is secured by the land, comes under the head of agricultural credit, because, when you make a loan to a farmer or landowner the money is generally borrowed for agricultural improvements, which may consist in improving the estate itself; for instance, by irrigation, drainage, and other works carried out to increase the yield of the soil or in the purchase of live stock, machinery, or agricultural implements. Therefore all these transactions should be considered juridically as agricultural credit transactions.

Second, I will now define agricultural credit from an economic standpoint. This standpoint is important and even essential in organizing agricultural credit. For the problem of agricultural credit arises from the desire to improve the general status of farming, increase production, and insure the greater prosperity of the agricultural classes.

This point of view has guided the action of most Governments which have undertaken the organization of agricultural credit. And as far as agricultural credit is concerned, the economic standpoint is in direct relation with the general prosperity of the country.

The best solution of this problem, from an economic standpoint, will be that which will take into due consideration the general status of the country, its commerce, its industries, and the special conditions governing its agricultural production. In short, from an economic standpoint, agricultural credit is one of the essential branches of the political economy of a country.

Third, I will not pass in review the social aspect of the question.

From a social point of view, agricultural credit is one of the essential elements in the prosperity of a country, for the increased prosperity of the farming and rural population will increase the prosperity of the State as a whole, and national revenue will grow, and the status of the rural population will improve.

So true is this that most countries which have organized a system of agricultural credit have faced the problem more from the point of view of its social than of its economical and juridical bearings; and most of the writers who have dealt with this question conclude that a sound system of agricultural credit is a valuable factor in the conservation of the State. For, by keeping the rural population on the land, by enabling it to realize profits, by safeguarding it from exploitation by speculative concerns, its independence and prosperity is secured. It is attached to the fundamental principles of the State, and interested in the progress of the various branches of national production.

Therefore, a country, government, individual, or economist interested in the organization of agricultural credit must study the problem from these several points of view—the juridical, the economic, and the social.

In my opinion, it would be a gross error to believe that agricultural credit can be judged by the same standard as ordinary commercial credit.

Let us examine commercial credit. This form of credit is based on the volume of business done by the merchant. The credit of the merchant increases in proportion as his business prospers, and as the value of the security he can offer increases. The measure of his credit will therefore be determined by the importance of his business, by the excess of his assets over his liabilities.

But the characteristic feature of agricultural credit, the bases on which it rests, is quite different. Of course credit is always credit; that is to say, it is a proof of confidence given to an institution or an individual; but the nature of such credit differs widely. In the case of agricultural credit, the main point taken into consideration is the personality of the borrower, his labor capacity, his power of production, his family traditions, the confidence he inspires in his neighbors. In short, all the personal and moral qualities which distinguish a man from his fellows are studied.

In the case of commercial credit these personal qualities, though they have their value, are but secondary considerations. The banker who gives credit to a merchant is primarily interested in his balance sheet. If a firm is not making a profit, it will not obtain credit, and the greater the difficulties besetting the merchant, the smaller the credit facilities afforded him.

But, in the case of agricultural credit, personal qualities have the upper hand, provided the banker or the credit association recognize that the working capacity of the borrower, and the returns that work can earn, place him in a position to return the loan within a more or less lengthy period. It is on the strength of these personal qualities that a certain measure of credit can be granted to the farmer.

These considerations are essential, for they show that in giving a sound organization to agricultural credit one must not consider merely the wealth or the general credit capacity of the individual, but the system selected must give due importance to personal qualities and be adapted to the character, customs, and general laws of the country in which it is to operate.

For these reasons I have always maintained that, in my opinion, the organization of agricultural credit is, above all, the outcome of social consideration, and that its aim and purposes are to improve the social status of the individual, the district, the country.

I am confirmed in the justice of this opinion, for examination of the history of the organization of agricultural credit in the different countries in which it is in operation shows that it has been modeled and adapted in accordance with the customs and national legislation of each.

Let us glance at some of the systems now in operation. Take, for instance, the Raiffeisen and the Schulze-Delitsche system of Germany, and the Luzzatti banks in Italy. Each of these systems have taken as basis of its organization the characteristics and customs of the people it is intended to serve.

What is the main characteristic of the Raiffeisen system?

The spirit of association. What has made it possible to introduce successfully this system in Germany? The fact that the spirit of association is a characteristic German trait. This is exemplified by the saying that whenever two Germans meet it is to form an association.

These details, which may seem puerile, are nevertheless important, for they show that the spirit of association is at the basis of the German character. And this spirit of association has come into play in the field of agriculture as in all other spheres of economic activity in Germany.

These Raiffeisen credit associations are, as you know, based on the spirit of cooperation, of reciprocity, of each of their members. A certain number of persons come together and decide that they will found an agricultural-credit bank, based on the solidarity of the members, with unlimited liability. As this system is in harmony with the special customs and characteristic traits of the German, it is only natural that it should have attained a very high degree of development in a short time, and that it works successfully, because it corresponds to the fundamental essence of the German character.

The deduction to be drawn is that in organizing agricultural credit the first thing to take into consideration is the mental outlook, the customs of the country in which it is to work.

The Schulze-Delitsche system differs little in essentials from the Raiffeisen system. In the Schulze-Delitsche rather more importance is given to the commercial side than in the Raiffeisen, but both systems are based on the spirit of reciprocity, of solidarity of the members, and they have been successful in Germany because the spirit of association is highly developed in the German. And thus Germany has had at its service a system adapted to its customs and national character.

I shall now compare the German system with that of a country in which the national character is somewhat different. I will take the case of France. The Frenchman is more independent in character; individualism and personal rights play a more important part in France than they do in the case of the Germanic people. In fact, this spirit of independence and individualism make the French somewhat similar in character to the English, in whom individualism prevails over all other considerations.

Nevertheless the spirit of association is well developed in France, for the great advantages derived from it abroad have become known.

Several attempts were made to organize agricultural credit in France as the result of private initiative, as in the case of the banks of the Rhone and of the southeast, based on the Raiffeisen system. But the results obtained by these private efforts were inconsiderable, for the French are so individualistic that they can never make up their minds to join an association unless the safety of the transaction is fully guaranteed by official authorities.

Nevertheless the organization of agricultural credit in France has been based on thoroughly scientific principles, which have led to very satisfactory results in a short time. These results are due to the fact that the political, religious, and social bias which distinguished the earlier efforts made in France in this direction have been entirely set aside.

The agriculturists of France, interested in the organization of agricultural credit, have been anxious, above all, that the organization should be in the hands of the agriculturists themselves. And this because some 40 or 50 years ago attempts were made to organize agricultural credit by ordinary commercial banks. But the efforts made by these banks failed, because they looked principally after their own interests and not after those of the agriculturists, and the French farmers said: "We require a system of agricultural credit organized in the interest of agriculture, in our interests, and which shall yield no illigitimate profits to speculators or outsiders who draw dividends on what ought to go to our advantage."

The main difficulty in organizing such a system of agricultural credit was due to the fact that private capital, bank capital, was unwilling to invest in agricultural credit, as the interest earned on such transactions was insufficient.

It was, therefore, necessary to find a system by which, while securing the lender against loss, the farmers could obtain the requisite capital at a very low rate of interest, and which would also make it possible for agricultural credit to be organized for the benefit of agriculturists themselves and not for the benefit of the capitalists.

To insure these results and to make sure that agricultural credit should remain exclusively in the hands of agriculturists, it was decided that it should be organized exclusively by the agricultural unions (syndicate agricoles). These unions, in accordance with the act of April 5, 1884, consisted exclusively of agriculturists.

Mr. LUBIN. Are these unions corporations or free associations?

Mr. DOR. Free associations, but legally recognized under the act of 1884. All syndicates or unions, including those which are not agricultural, are required to observe the provisions of this act.

Mr. LUBIN. But are they corporations or free associations? If several commercial houses work together they form a free association, but if these firms decide to form a corporation, they have to ask for a charter, and they become mutually responsible for their transactions. Limited liability companies, in short.

Mr. DOR. No; these unions are not that. The law of 1884 is a general law regulating the formation of unions or syndicates. Persons belonging to the same profession, farmers, workmen, etc., have the right to form a professional syndicate, as long as they conform to certain regulations laid down in the act of 1884.

Mr. LUBIN. Then they are trades-unions?

Mr. DOR. Yes; trades-unions. It is the same thing. Any association conforming to the provisions of the act of 1884 can form a union. These unions may be formed by merchants, workmen, or farmers, but the members must all belong to the same calling. That is their characteristic features. Consequently agricultural credit in France has taken as its basis these unions formed exclusively of farmers.

Mr. LUBIN. Are these unions incorporated? Can they sue at law?

Mr. DOR. Yes; they are incorporated.

Mr. LUBIN. Are they unlimited-liability associations?

Mr. DOR. Most of the agricultural unions which open credit banks are unlimited-liability associations. But this is determined in each case by their statutes. These syndicates all have to conform to the common law. When a syndicate organizes an agricultural credit bank, the basis of the bank is the syndicate, and formation of the bank subjects all the members of the syndicate to unlimited liability. But it

must be remembered that each of these agricultural banks formed by an agricultural syndicate or union draws up its own by-laws, and the by-laws provide either for limited or unlimited liability of members. Great freedom is left to each of these banks. The system most generally adopted is that of unlimited liability, but in some cases provision is made for limited liability.

The essential point to which I wish to draw Mr. Lubin's particular attention is the following, which I believe to be of great importance for any country anxious to introduce a system of agricultural credit: In France agricultural credit is limited exclusively to agriculturists, and the attention of those who organize these credit associations is mainly concentrated on the exclusion from the benefits and profits accruing from these associations of all parties who are not directly engaged in farming.

On the other hand, in other countries, and more especially in Germany, the Raiffeisen or Schulze-Delitsche systems sometimes admit persons who are not agriculturists. As a result the character of these associations, which was at first agricultural, may be transformed, and agriculturists end by playing only a very secondary part. This is the main point which I wish to emphasize.

You thus see that the spirit of freedom and individualism of the French farmer finds a free play in his right to regulate according to his wishes the by-laws of each of these agricultural credit associations.

You are already acquainted with the broad lines of the organization of agricultural credit in France. The system is both scientific and practical. Scientific, because the organization is uniform, and regulated by organic laws applicable to all similar associations. You know that at the basis of this system are the local credit associations. The first step in the organization is the local rural bank, formed by an agricultural syndicate or union. This means that the local agricultural credit bank is formed exclusively of farmers, as only agriculturists can belong to an agricultural syndicate.

You will have seen by the last number of the Institute's bulletin the nature of the business transacted by these local banks. After the local banks come the regional or district banks of agricultural credit, which generally, step by step, centralize the agricultural credit business for a whole region. We have not yet got the national bank of agricultural credit, but the Bank of France discounts the bills of the farmers, backed by two signatures. The Bank of France itself, under the terms of the act of 1897, by which its charter was renewed, is bound to place at the service of agriculturists a sum of 40,000,000 francs.

Mr. LUBIN. Is that Government money?

Mr. DOR. It is money obtained from the profits realized by the Bank of France. The Bank of France is not a Government bank; it is a bank authorized by Government and which obtains its charter from the State. It is an official bank, but not a State bank. And this bank, the Bank of France, has given an initial sum of 40,000,000 francs.

Mr. LUBIN. In short, this is a subsidy which the bank pays the Government and which the Government uses for the benefit of agriculture.

Mr. DOR. Yes; the Government made the renewal of the charter of the Bank of France conditional on the payment of a subsidy of 40,000,000 francs to be used for the benefit of agriculture, and besides these forty millions the Bank of France is required to set aside, for the purpose of agricultural credit, an annual sum deducted from its profits; and this sum, which is variable in amount, was 2,000,000 francs to begin with, and now amounts to 4,000,000 francs a year.

Mr. LUBIN. Has this money got to be repaid to the Bank of France?

Mr. DOR. This money is to be repaid to the Bank of France at the end of a certain number of years as fixed by law. It is to be repaid by the agricultural credit banks. The money is loaned to these banks free of interest. I will not go into the details of this organization, as they are described in the bulletins of the institute.

What I wish to emphasize about this system is the following:

First. Private initiative, free associations, as represented by the agricultural syndicates or unions, is at the basis of this system of agricultural credit.

Second. To promote this spirit of association and to insure its yielding result of value to agriculture, the State intervenes by granting subsidies, so that this organization, "complies with the formula, "Help yourself and heaven will help you."

The State only grants its subsidy when private initiative has already founded the bank.

Third. The State makes sure that this organization does not depart from the duties intrusted to it, and that it confines itself strictly to agricultural credit transactions, as required by its statutes, by means of a special bureau of agricultural credit attached to the ministry of agriculture.

This bureau controls, by means of frequent inspections, the business transacted by the regional and local banks. In organizing this service the State was guided by the need of safeguarding agriculturists against imprudent action and of watching over these organizations to see that they do not degenerate into commercial or speculative institutions.

As we have seen, the French system, by combining private initiative with State aid, offers the advantage of giving full scope to private initiative, only intervening when this private initiative has already produced results.

Another important point which should be noted about this system is the very low rate of interest on the loans made to the agriculturists, varying from 2 per cent to a maximum of 4 per cent. This interest may never exceed that charged by the Bank of France for its commercial transactions.

These are the distinctive features of the agricultural credit operations in France. I will now give a rapid glance at the various purposes for which this credit is designed to meet.

In the beginning such credit was only granted for such purposes as the purchase of farm requisites or stock required for the improvement of a farm. This was personal credit for agriculturists. In the beginning loans for such purposes were made for short terms—90 days, or 3 months at the most. But it was soon seen that the periods for which the loans were made were altogether too short for agricultural purposes, and the next step was to organize long-term credit to individuals, for periods of three, four, five, and six months, according to the nature of the transaction.

Here is a concrete example: A farmer wants a loan of 200 francs to buy sheep. If the loan is only granted for three months, the farmer is unable to increase the weight of his sheep to such an extent as to be able to sell them at a profit. He has to wait for them to grow, for the weight of meat to increase, for the wool to grow, and all this requires several months. The farmer is therefore unable to repay his loan until he has sold his sheep at a profit due to their increased weight or to the sale of their wool. I quote this instance to show that as a rule, in the case of agriculture, short term loans are insufficient and long-term credit must be provided for.

But agricultural credit in France is not restricted to loans made for the purchase of live stock, farm requisites, or other movable goods. Recent laws have extended these transactions to include land credit.

Thus the acts of 1909 and 1910 authorize the regional associations, and even the local associations, to make loans to farmers for the purchase of a homestead; such loans may amount to as much as 8,000 francs, repayable in 25 years. This is a form of land credit. I wish to lay emphasis on this form of credit, as it is characteristic of the French system, and no provision is made for it under the Raiffeisen system.

Such land-credit transactions are, however, restricted to providing the means to the farmer to become owner of his own homestead.

Besides this, agricultural credit, which at first was only granted to individuals, is now extended to collective bodies; that is to say, to associations formed to carry on a specific business, such as cooperative associations; thus, agricultural credit, which was individual to start with, has become collective.

For instance, a cooperative association is formed to run a winery, or to sell wheat collectively on the best terms. Well, the regional and local agricultural credit banks which grant loans to such associations no longer grant loans to the individuals composing them, but to the cooperative association in its corporate capacity.

This is another innovation and improvement introduced by the French system of agricultural credit, and such collective credit can also be granted for long as well as for short terms.

The above are the general remarks which I wished to place before Mr. Lubin as a basis for his study, so as to make it clear that, in considering the problem of agricultural credit, three points should be kept in mind:

1. In my opinion, a system of agricultural credit can only be practical, effective, and beneficial to the farmer if it is organized exclusively of farmers.

2. It is essential that such credit organizations be quite independent of speculators, i. e., of bankers who transact business with a view to personal profit.

3. That the farmer and agriculturist, who form these credit associations, must realize thoroughly that they are combining for reciprocal benefits, that they are not entering a profit-making business, but rendering each other a mutual service.

The deduction to be drawn from these three points is that the rate of interest charged for the loans made to the farmers must be the lowest current in the section. The rate of interest may vary from a minimum of 2 per cent to a maximum of 5 per cent, which should never be exceeded. The rate within these limits will depend on the length of time for which the loan is made.

In examining which system is most likely to be adaptable to the needs of the United States several points must be borne in mind.

The first question which comes up is the following:

Does the United States wish to plan an organization extensible to the country as a whole, or does it wish to organize State by State or district by district? Whatever be the answer to this question, and in all cases, the agricultural, political, economic, and social status of the territories to which the system is to be applied will have to be taken into careful consideration.

I am convinced that it is absolutely essential to give due weight to the habits of the agricultural population to be served. The organization selected should be adaptable to the daily life of the people. It is therefore impossible to state, a priori, what system is likely to be best suited to the United States. The answer depends on the way in which the organizers conceive this organization.

As far as my knowledge of America goes, I am led to the following conclusions:

1. If the American people wish to plan a national organization I consider that the National Congress should enact general legislation regulating the organization of agricultural credit, laying down the broad outlines and general principles on which such credit should be based. When once these general principles have been determined by law, it would be the duty of each State legislature to adapt them to local requirements, and to the habits, commercial usages, and economic status of the rural population of each State.

This would insure a very flexible system, which could be adapted to the needs of the various environments, whilst at the same time the interests of the rural population would be protected by the recognition of general fundamental principles enacted by law. This would, perhaps, make it possible to safeguard the cooperative credit movement from possible attempts on the part of financial organizations and trusts to get it in its power, and to convert them into purely business concerns.

2. Should the United States not intend to plan a national organization and should it be left to the farmers themselves to take the initiative in this direction, I should then conclude in favor of what is known in France as "organizing from below." In this case I should advise that in such township, in each rural center, an association of farmers be formed on the lines of the agricultural syndicates or of the Raiffeisen banks, but such organizations should always be formed by the farmers themselves. If the population amongst which such associations are formed is largely of Germanic origin it would then probably be preferable to adopt the Raiffeisen system; but if this organization is to be formed in the Southern States, where the Anglo-Saxon and, to some extent, the French spirit predominates, as in Louisiana, it is then probable that the tendencies of the population will be more individualistic.

In this case it would be preferable to follow the French plan and to form associations, consisting exclusively of farmers, which would organize local agricultural credit banks, and these local associations would federate into a central association for a whole district or State.

Such, in its main outlines, is the organization which I can foresee without a thorough study of the environments, legislative, judicial, and administrative conditions of the territories in which such an organization is to be started.

In my opinion, as a committee of inquiry is to be appointed, it is not opportune now to study one system rather than another. I think that Mr. Lubin's efforts should be directed mainly on having the fundamental principles which should underlie any system studied, and then, afterwards, the details of the system best suited to local needs can be taken up for consideration.

If I were at the Nashville convention of the Southern Commercial Congress I should say: We wish to organize agricultural credit for the United States on a sound basis; well, questions of detail in application will be thrashed out by practice, but we should start at once to study the general outline which will fit in with the condition under which farming is carried out in America, and with the character of our people, and when we have done this it will then be time to ask. Should we work for a system founded on the free initiative or local

associations, or is national legislation required? All questions of detail can safely be left to be worked out subsequently.

LOUIS DOP,
French Delegate,
International Institute of Agriculture, Rome, Italy.

The following letter from his excellency Hon. Prof. Louis Luzzatti to Mr. David Lubin on agricultural cooperative credit and its introduction into the United States was read:

ROME, March 11, 1912.

HON. DAVID LUBIN,

Delegate of the United States,
International Institute of Agriculture, Rome.

MY DEAR LUBIN: You will express to the honorable delegates of the Southern States my profound regret at my inability to accept their cordial and most interesting invitation; but when one's country is engaged in a war, those who have held positions of grave responsibility in the State are not at liberty to leave it; they must remain at their post in the Chamber of Deputies and do their duty.

Ever since 1862 I have worked in the field of agricultural and land-mortgage credit, and I have had occasion, both out of the Cabinet and when in it, to spread ideas and promote institutions of various kinds, and it would have been a delightful task for me to discuss these questions with the Southern Commercial Congress. The best advice is that which results from actual observation of facts and from the generalizations deduced therefrom.

Just as each country has its special needs, arising from its own peculiar conditions, so, in the field of agrarian economics, each country organizes special forces and adopts special forms, but the same fundamental laws govern all the various types.

Now, the fundamental needs of agriculture are three:

1. Land-mortgage credit, based on the actual value of the estate or holdings, and bearing a certain ratio to that value.

2. Agricultural credit, i. e., credit granted to the farmer on his personal security for the improvement of his farming business.

3. Lastly, a form of credit which stands halfway between land-mortgage credit and agricultural credit, but which extend over a certain number of years.

Agricultural credit comprises loans for transactions which are completed within a year and which do not require the security offered by the land itself. But in carrying out such work as a change of cultures, improvements by means of irrigation, and such like, long-term credit is required, and often the double guarantee of both personal security and that of real estate.

Now, experience teaches that financial institutions for agricultural credit, that is to say, institutions promoted by financiers with a view to dividends rather than to the assistance of agriculture, do not secure the desired results. Their titles proclaim them the protectors of agriculture and agriculturists; in reality they aim at exploiting rather than assisting them.

If I were asked by the Southern States (which, from what you have told me, my dear Lubin, have the good fortune to come last and to profit by the experience of others) to advise an effective system, I should say exclude speculation and create mutual land-mortgage credit associations, mutual agricultural credit associations, linked with the State and with other public bodies which should grant them adequate and timely assistance.

A sound system of land-mortgage credit, one suited to meet the requirements both of the wealthy and the poor, both of large and small landowners, should, as is the case with the German, Austrian, and Australian systems, have as its basis land registers, from which the legal and economic status of each estate or holding can always be clearly ascertained.

These mutual associations of landowners would issue bonds on the joint security of their lands, bonds which could be purchased by the State and other public bodies. In Italy the savings banks, which are autonomous, prosperous, and flourishing institutions, and which have not to declare dividends, as they are impersonal corporate bodies, have for years past transacted and still transact land-mortgage credit business and purchase and sell mortgage bonds. An ideal organization would be that of mutual land-mortgage credit associations, connected up with savings banks, savings banks assisted and watched over by the State.

A whole scheme of legislation would have to be drafted for this purpose. The Federal Government could and should include among the various investments to which it gives its preference in placing the people's savings deposits the purchase of such land-mortgage bonds issued by mutual associations or by autonomous savings banks.

By the side of these mutual land-mortgage credit associations there should be mutual agricultural credit associations, agricultural cooperative banks for medium and large transactions, small rural banks for loans on personal security made to really poor people.

Such agricultural cooperative banks, organized on the basis of unlimited or limited liability, or on immediate systems between the European countries; and I, who have visited them nearly all and made use of them in my studies, should have had great pleasure in dissecting and analyzing these agricultural specimens before your Congress. But I may not do so, nor do I wish to write this letter in the tone of a university professor, which is always somewhat stilted, for your Congress consists of men who are studying facts with a view to the good of agriculture—that is to say, of eminently practical people.

I will only venture to give you one piece of advice—avoid high rates of interest. Agriculture, even the most flourishing, can not bear them.

Of course there is a half-way house between a profit-making speculation and losing money, but it should always be borne in mind that the institutions we are considering are not ordinary financial institutions, but institutions for the redemption of agriculture.

If it is their duty to educate the farmer, who is often at fault on this point, to the need for punctuality in payments; if it is also their duty to afford credit on conditions which by granting fair and reasonable terms for interest and repayment will abolish the usury exercised by others without replacing it by a usury of their own.

By working along these lines, which combine sound business principles with a soul of goodness, the Americans, who are now the last to enter the field, will soon succeed in surpassing us, and thus become the first.

Europe is accustomed to this spectacle in all fields of economic activity, and she has taken to applauding and admiring what she can not and does not wish to prevent.

I grasp your hand with fraternal affection, dear Lubin, and remain,

Yours, faithfully,

LUIGI LUZZATTI,
Italian Delegate International Institute of Agriculture.

RESOLUTIONS OF NASHVILLE CONFERENCE.

Herewith is a statement and resolution on the Raiffeisen and other systems of cooperative rural banking; a report of the special committee to the conference on the European systems of rural finance; a resolution commending other agencies making investigations of the European systems of finance; a resolution recognizing the valuable services of the King and Government of Italy; a resolution of thanks to Hon. David Lubin, American delegate to the International Institute of Agriculture, Rome, Italy; and a letter to the Senate and House of Representatives of the United States relative to the value of the English edition of the publications of the International Institute of Agriculture:

STATEMENT AND RESOLUTION ON RAIFFEISEN AND OTHER SYSTEMS.

This conference, consisting of representatives from 26 States of the Nation, was called into being by the Southern Commercial Congress in order that we might deliberately consider the evident weakness of rural finance in the United States, and in order that we might study, in advance of the general meetings of the congress, the various European systems of cooperative rural banking that have had so beneficial effects abroad. We consider it part of our function to make a recommendation to the directors of the Southern Commercial Congress, and to do so we reduce the recommendations to the form of a resolution:

Whereas the solution of the problems of rural finance lies at the basis of every attempt to improve rural conditions; and

Whereas the latent wealth of the farmer can only become active wealth through the possibilities of credit freely obtainable on the basis of his character and his assets; and

Whereas there are in operation in Europe the following systems and their variants, namely, Raiffeisen, Schulze-Delitzche, and Landschaften; and

Whereas these systems have during their existence greatly stimulated rural finance in these European countries; and

Whereas we are convinced that the system should be further studied by the United States: Therefore be it

Resolved, That we recommend to the directors of the Southern Commercial Congress that a select committee on rural finance investigation, consisting of one or more, but preferably two, members from each State of the Union, go to Europe in the summer of 1912, under the general management of the Southern Commercial Congress and under the administrative management of an executive committee, to be elected by the members of the select committee, and under by-laws to be adopted by the committee as a whole; be it further

Resolved, That the daily findings of the select committee shall be recorded in such form that each member may return to his State possessed of one copy of said findings for publication and use in his State, and that a second copy be given to the Nation through publication, to be recommended to the Congress of the United States for general distribution; and be it further

Resolved, That we preferably recommend two members from each State for the reason that when the committee returns there will be in each State two men well informed on the whole subject and locally interested in solving the problems of rural finance as presented by the State of their residence, and for the additional reason that a large committee, bringing many minds to bear upon the phases of one subject, can be expected to produce greater national good than would be possible from investigation by a small committee not individually representative of the States of the Nation and in a measure unacquainted with the varying needs of the various sections.

REPORT OF THE SPECIAL COMMITTEE.

Your committee considered three questions to be transmitted to the directors of the Southern Commercial Congress as recommendations from our conference as a whole:

First. How shall the proposed select commission of investigation be selected?

Second. How shall it be financed?

Third. When shall it take the tour of investigation?

First. We regard the directors of the Southern Commercial Congress, by reason of having taken the initiative, as having the authority to select the members of the committee to come from the following States: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, Missouri, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia, feeling confident that the directors will have the interest of the committee's successful mission at heart. We also expect the officials of the Southern Commercial Congress to correspond in all other States with agricultural colleges, the agricultural press, agricultural interests represented by farmers' organizations, and other active thinkers on rural problems, in order to secure from these suggestions as to the two men of each State best fitted for the investigation.

Second. We recommend that the directors of the Southern Commercial Congress in each Southern State act as the nucleus of a State committee to raise funds within each State for the purpose of sending two members of the committee from each such State, and appoint additional committeemen from each State. We also recommend that in States outside the South the nucleus of effort within each State be formed by those with whom the officials of the Southern Commercial Congress correspond. We also recommend that our conference, before adjournment, meet in executive session to place in the hands of the directors of the Southern Commercial Congress our personal suggestions as to important and appropriate men in each State.

Third. We recommend that the period covered by the select committee of investigation be preferably from June 15 to September 15, or as near to such dates as may be practicable, said variation of dates to be based only upon the failure of steamship sailing dates to coincide with the above. We also recommend that the select committee of investigation sail direct to Naples, report to the International Institute of Agriculture at Rome, and then visit Italy, Austria-Hungary, Germany, Denmark, Ireland, and such other points as may be deemed necessary.

We are convinced that the plan adopted by our conference is essential. We can not make this clearer than by quoting from the resolution passed by our conference yesterday: "A large committee, bringing many minds to bear upon the phases of one subject, can be expected to produce greater national good than would be possible from investigation by a small committee not individually representative of the States of the Nation and in a measure unacquainted with the varying needs of the various States."

Transcending the limit of our instructions we wish, however, to place before the conference as a whole an emphatic opinion: We believe that in view of the vital relation of the whole subject of rural finance to the welfare and increasing development of American agriculture, and in view of the brief time at the disposal of the select committee of investigation its membership must be strictly held to those whose hearts

are in the subject and who will be willing to reserve sightseeing for a more appropriate occasion.

INDORSEMENT OF OTHER AGENCIES.

The subject of cooperative agricultural finance is so vast, its importance is so great, the whole matter is so new to the American people, and the conditions under which these cooperative banking institutions will have to cooperate in the different States are so varied that the problem is worthy of the deepest study by a number of agencies. We observe with pleasure that some of the States are already taking action along this line. We are especially gratified that the Congress of the United States has under advisement the appointment of a national commission upon farm finance to employ experts for making elaborate inquiry into all the details of cooperative land mortgage banks and cooperative rural credit unions and to report thereon for the common good. We welcome all these and similar efforts, and the proposed select committee on rural finance to be appointed by the Southern Commercial Congress will be prompt to cooperate with any and all of the other agencies concerned in the same line of investigation.

TRIBUTE TO THE KING OF ITALY AND THE ITALIAN GOVERNMENT.

Whereas the International Institute of Agriculture was established at Rome, in 1905, upon the initiative of His Majesty Victor Emanuel III, King of Italy, who provided it with land and buildings and is contributing with princely generosity toward its work in addition to the official support and participation therein by Italy, by the United States, and by 48 other Governments, together representing 95 per cent of the world's area and 98 per cent of the world's population; and

Whereas it is now realized that the International Institute of Agriculture is doing a work of incalculable value to the world as a whole, and to the United States of America: Now therefore be it

Resolved, That the Southern Commercial Congress, in convention assembled, with 24 States represented, voices the sentiments of the American people in hereby recognizing the valuable services of the King and Government of Italy in making possible that great world federation for progress, the International Institute of Agriculture.

We trust that the institute may continue to be increasingly successful in securing international cooperation in world crop reports, in disseminating agricultural intelligence, in promoting cooperative agricultural finance, in fostering more economic distribution of the world's agricultural production, and in facilitating better understandings between the peoples of the earth.

APPRECIATION OF HON. DAVID LUBIN.

Whereas the inception and organization of the International Institute of Agriculture, with headquarters at Rome, Italy, was largely the result of the foresight and untiring energies of Hon. David Lubin, of California; and

Whereas his persistent efforts induced the recognition and cooperation of the United States with leading European countries to foster and support this splendid institution in the interest of international agriculture, which is proving of vast benefit to this country through the gathering and publication of important data relating to the world's agricultural crops, and foreign agricultural credits, which are now commanding the serious attention of American farmers: Therefore be it

Resolved, That the delegates from all sections of the American Union at present in attendance upon the annual conference of the Southern Commercial Congress, at Nashville, Tenn., desire to hereby convey to the Hon. David Lubin an expression of their full appreciation of his earnest and valued labors in behalf of the Agricultural interests of American farmers, and to indorse and congratulate the wisdom of the United States Department of State in appointing and retaining the Hon. David Lubin as American delegate to the International Institute of Agriculture, Rome, Italy.

LETTER TO UNITED STATES SENATE AND HOUSE OF REPRESENTATIVES.

This conference on the Raiffeisen and other European systems of cooperative rural banking, held under the auspices of the Southern Commercial Congress, now in session and attended by delegates from Massachusetts to North Dakota and from Minnesota to Texas, earnestly asks reconsideration of the vote of the House throwing out item of \$5,000 in diplomatic and consular bill for the cost of editions in English of publications of International Institute of Agriculture at Rome.

These publications are of incalculable value to the American farmer, as shown by the increasing demand from individual farmers and numerous other organizations.

The official language of the International Institute is French; the American farmers can not read French; so provision must be made for English editions or else the valuable work of the International Institute of Agriculture is lost to the American farmer.

We respectfully submit that it is unwise to vote some \$18,000 for the support of the institute and then vote down the smaller appropriation which should go to make the work of the institute available to the American people.

Interpreting the needs and wishes of the American farmer through their delegated representatives here assembled, we submit that it would be much more desirable to increase the proposed \$5,000 to \$10,000 than to vote down the lesser amount.

If additional evidence is needed to show the value of these publications, we have it in the hearty indorsement in favor of this measure by the honorable Secretary of State, the honorable Secretary of Agriculture, and the honorable Secretary of Commerce and Labor. We earnestly hope that the \$5,000 appropriation will be granted for the purpose desired, and that if possible the amount be increased to \$10,000, so that a larger number of American people may be benefited by the vastly important labors of the International Institute of Agriculture.

A resolution was unanimously adopted extending thanks to the officers of the conference.

The statement and all resolutions above referred to were submitted to the committee on resolutions of the Southern Commercial Congress, reported on favorably, and unanimously adopted by the Congress in regular convention assembled.

The resolutions, as directed, were submitted to the board of directors of the Southern Commercial Congress in annual session and were unanimously approved. The managing director of the congress was instructed to take immediate steps to carry out the spirit of the resolutions.

Respectfully submitted.

CLARENCE J. OWENS,
Secretary-Treasurer Southern Commercial Congress.

APRIL 13, 1912.

EXHIBIT B.

We recommend and urge an authoritative investigation of agricultural credit societies and corporations in other countries, and the passage of State and Federal laws for the establishment and capable supervision of organizations having for their purpose the loaning of funds to farmers. (*Platform, Republican Party.*)

Of equal importance with the question of currency reform is the question of rural credits or agricultural finance. Therefore we recommend that an investigation of agricultural credit societies in foreign countries be made, so that it may be ascertained whether a system of rural credits may be devised suitable to conditions in the United States. (*Platform, Democratic Party.*)

Last year I made some investigations, which I am continuing here at the request of the Department of State, and as a result of all this I have arrived at the firm conviction that the establishment of a rural credit system or systems is an imperative need. There is nothing so important to-day before the American people, in my opinion—not even excepting the currency reform. Consequently, I shall most earnestly welcome your commission on its visit to Europe. I should be pleased to know your plans at as early a date as possible, in order that I may be in Paris to receive you. (Myron T. Herrick, American Ambassador to France, to the Managing Director of the Southern Commercial Congress.)

SELECT COMMITTEE TO GO ABROAD.

Acceptances of membership on the select committee, which will go abroad next May to study the European systems of cooperative agricultural credit, are now being received by Dr. Clarence J. Owens, managing director of the Southern Commercial Congress, Southern Building, Washington, D. C.

The select committee, national in scope, will undertake one of the most important investigations ever projected in this country, for it will bring back information regarding the European cooperative rural credit systems, suggesting modes for their adaptation suited to meet the needs of the American farmer. The importance of these systems is indicated in the table given below.

The select committee is the outgrowth of a conference held under the auspices of the fourth annual convention of the Southern Commercial Congress, April 1-6, in Nashville, Tenn., participated in by representatives of 27 States.

On invitation the American delegate to the International Institute of Agriculture at Rome, Italy, was present and explained the European systems from the publications of the institute. The conference resolved that an investigation of these systems should be made by an American committee, all with the end in view to their adaptation and adoption in the United States.

The select committee goes abroad next May, under the auspices of the Southern Commercial Congress. It will start from New York, direct to Rome, Italy, via Naples. It will arrive in Rome at the time when the General Assembly of the International Institute of Agriculture will be in session. The select committee will thus meet some of the most important experts on the European rural credit systems, who come as delegates to the sessions of the general assembly. Some of these experts will be asked to accompany the committee on its European tour.

On its return to the United States, the select committee will make a preliminary report to the fifth annual convention of the Southern Commercial Congress, at Mobile, Ala., 1913. The full report of the committee will be submitted to the people of the United States in accordance with paragraph 7 of the resolutions adopted at the Nashville conference, which reads as follows:

"The daily findings of the select committee shall be recorded in such form that each member may return to his State possessed of one copy of said findings for publication and use in his State, and that a second copy be given to the Nation through publication to be recommended to the Congress of the United States for general distribution."

The Southern Commercial Congress is now taking steps to have a bill introduced into each State legislature, providing for the expenses of two delegates to the select committee. In those States in which the legis-

latures will not be in session in time to allow of this—the State legislatures of the following States will not be in session at a date permitting of applying to them for appropriations for the traveling expenses of delegates to the select committee: Alabama, Arizona, Florida, Kentucky, Louisiana, Maryland, Mississippi, New Mexico, Oregon, Virginia—the funds are to be raised by public subscription. The collective funds thus obtained will be employed by the Southern Commercial Congress to cover traveling and hotel expenses of the delegates from New York back to New York, and expenses incurred for interpreters, stenographers, printing, mailing, etc.

In order that the select committee may receive official recognition in Europe it is necessary that the credentials of State delegates be from the State governments, and the credentials of national delegates (delegates at large) from the National Government.

For publications on the European cooperative rural credit systems address the American delegate, International Institute of Agriculture, Rome, Italy.

Correspondence in relation to the select committee, its membership, credentials, etc., should be addressed to the managing director, Southern Commercial Congress, Southern Building, Washington, D. C.

The following official figures, taken from an "Outline of the European Cooperative Credit Systems," published by the International Institute of Agriculture, show the number of institutions, their membership, and their total turnover for the three main systems in operation in Germany alone in 1909-10.

German cooperative credit institutions in 1909-10.

	Rural Raiffeisen.	Central Raiffeisen.	Schulze Delitzsche.	Landschaften type.
Number of institutions.....	15,158	38	1,035	25
Number of members.....	1,163,186	15,436	645,342	(1)
Total turnover.....	\$1,061,568,167	\$1,557,293,580	\$3,231,801,035	\$840,981,126

¹ Bonds in circulation.

Mr. FLETCHER. Mr. President, with the consent of the Senator from Nevada [Mr. NEWLANDS], I move that the joint resolution be referred to the Committee on Agriculture and Forestry.

The motion was agreed to.

August 15, 1912.

COMMISSION ON RURAL CREDITS IN EUROPE.

Mr. SMITH of Georgia. I am directed by the Committee on Agriculture and Forestry, to which was referred the joint resolution (S. J. Res. 132) providing for an American commission for the investigation of rural credits in Europe, introduced on August 8 by the Senator from Nevada [Mr. NEWLANDS], and upon which the Senator from Florida [Mr. FLETCHER] addressed the Senate yesterday, to report it favorably without amendment. I ask unanimous consent for the present consideration of the joint resolution.

There being no objection, the Senate, as in Committee of the Whole, proceeded to consider the joint resolution.

The joint resolution was reported to the Senate without amendment, ordered to be engrossed for a third reading, read the third time, and passed.

The preamble was agreed to.



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